Walsall Council

Pre Audit IFRS Compliant Statement of Accounts and Annual Governance Statement

Financial Year 2010/11

Contents

Explanatory Foreword

1. Introduction

These accounts set out the financial results of Walsall Council's activities for the year 31 March 2011. The council manages its affairs to ensure the economic, efficient and effective use of resources and to safeguard its assets. This is vital if the council is to continue to play a leading role in the life of Walsall's residents and provide high quality services for the benefit of them. The task is shared by all members and officers under the leadership of the Cabinet and Corporate Management Team. The Chief Financial Officer has a particular role in ensuring financial stewardship.

This statement of accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS) (the Code) which requires that the accounts present a true and fair view of the financial position of the council. Suitable accounting policies have been employed and applied consistently. Where necessary, prudent judgements and estimates have been made which comply with the Code. The council keeps proper and up to date accounting records, maintains effective internal control and risk management systems and takes reasonable steps for the prevention and detection of fraud and other irregularities.

This section aims to explain the main information in the statement of accounts and give an overview of the council's financial performance.

2. Reporting requirements for the 2010/11 accounts

The adoption of IFRS for the whole of the public sector was announced by the Government in its 2007 budget report. These financial statements are the first to be presented under IFRS for Walsall Council.

The main reason for adopting IFRS is to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice.

The private sector has been using IFRS since 2005 and the Government decided that the annual financial statements of government departments and other public sector bodies will in future be prepared using IFRS, adapted as necessary for the public sector.

The impact of IFRS will be principally presentational with new terminology and statements being introduced, significantly increasing the level of disclosure notes required. However there are changes to the treatment of assets, leases and grants, amongst others, that have required the council's accounting policies to be updated. These policy changes are covered in more detail later within the explanatory foreword.

3. Explanation of the statements

The statement of accounts summarises the council's finances for the financial year ending 31 March 2011. The accounts are reported as core financial statements and notes to the accounts. These accounts and their purpose are detailed below:

Core financial statements:

Movement in Reserves Statement (MIRS)

This statement shows the movement in the year for the reserves held by the council, split into the movement created by the comprehensive income and expenditure statement and regulatory movements required for council tax purposes. The reserves are analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

Comprehensive Income and Expenditure Account (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

Balance sheet

The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2011. The net assets of the council (assets less liabilities) are matched by the reserves (usable and unusable as shown in the MIRS) held by the council. Assets such as buildings and vehicles are used by the council to deliver its services.

Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting period. This statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Notes to the accounts:

Accounting policies

This section explains the main accounting policies the council has used to produce the figures in the accounts. The general principles are those recommended by CIPFA and these are applied consistently.

Other notes

Following the notes detailed above there are numerous other notes contained within the statement of accounts which provide further detail to the numbers included within the core statements. The purpose of these is to aid clarity and understanding to all users of the accounts.

Additional financial statements:

Collection fund

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund which collates all the transactions relating to a billing authority's national non domestic rates (NNDR) and council tax. The account demonstrates how resources have been distributed to precepting authorities (Police and Fire) and to the council's own general fund for council tax.

Trust and scholarship accounts

These accounts reflect the activities during the year relating to gifts and bequests made to, held or administered by the council.

4. An overview of the council's financial performance in 2010/11

Council expenditure is divided into two broad categories: revenue and capital. Revenue expenditure relates to day to day spending on items such as salaries and wages, purchase of minor equipment, services and materials, and the heating and lighting of premises. Capital expenditure relates to the purchase of major items such as land and buildings, and the construction of essential infrastructure such as roads.

Revenue expenditure

During February 2010 the council approved a net budget of £245.496 million (including levies) representing an increase of 3.5%, equivalent to £8.302 million of additional net expenditure over 2009/10 (£237.194 million).

In June 2010 the Government announced an emergency budget statement to reduce public sector spending by £6.2bn in 2010/11. This resulted in a £4.593m reduction in revenue funding from the Department for Communities and Local Government (DCLG) and Department for Education. A report was approved by Cabinet on 16 July 2010 which set out details of the efficiencies found to address the reduction in funding. Council approved these on 19 July 2010.

The total net expenditure for services prior to statutory adjustments is shown on the comprehensive income and expenditure statement (CIES). This shows that there was a deficit of £128.555 million for 2010/11. After statutory adjustments, such as the removal of depreciation, impairments and entries in relation to pension costs are applied the council shows an overall surplus for the general fund of £5.481 million for the year. After taking into account a planned transfer to reserves of £2.992 million and additional transfers to reserves of just over £2.075 million arising from unspent earmarked reserve allocations, and the net position for the council, underspend of £0.414 million.

The council ends 2010/11 with its balances at a level consistent with the requirements of the medium term financial strategy, despite a challenging financial environment, due to the economic downturn, and pressures including significant reduction in levels of income and increases in costs, specifically in the area of looked after children. Council wide corrective action plans were put in place to manage pressures, and the council has succeeded in reducing a projected overspend from £2.224 million to an under spend of £0.414 million, following planned transfers to/from reserves.

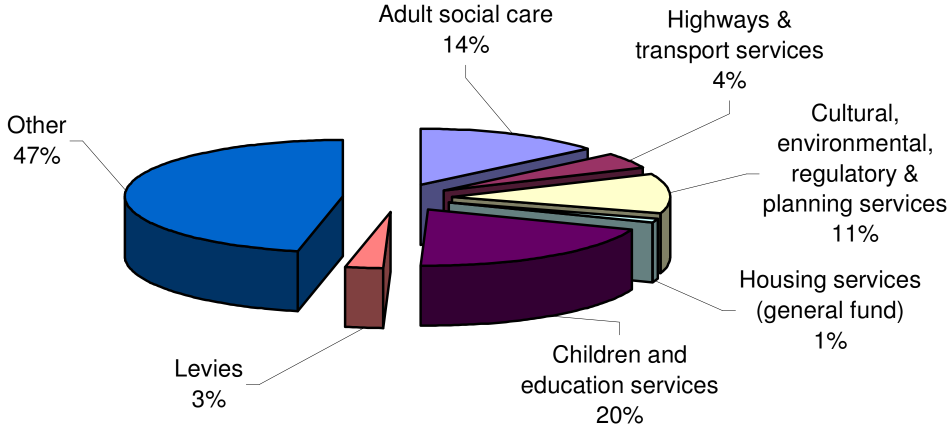
In October 2010 the comprehensive spending review (CSR) was announced for 2011/12 to 2014/15. This detailed a reduction in overall local government funding of 28% over the 4 year period. This reduction was front loaded and has resulted in a real terms decrease in funding for Walsall for 2011/12 of £22.777m for Walsall.

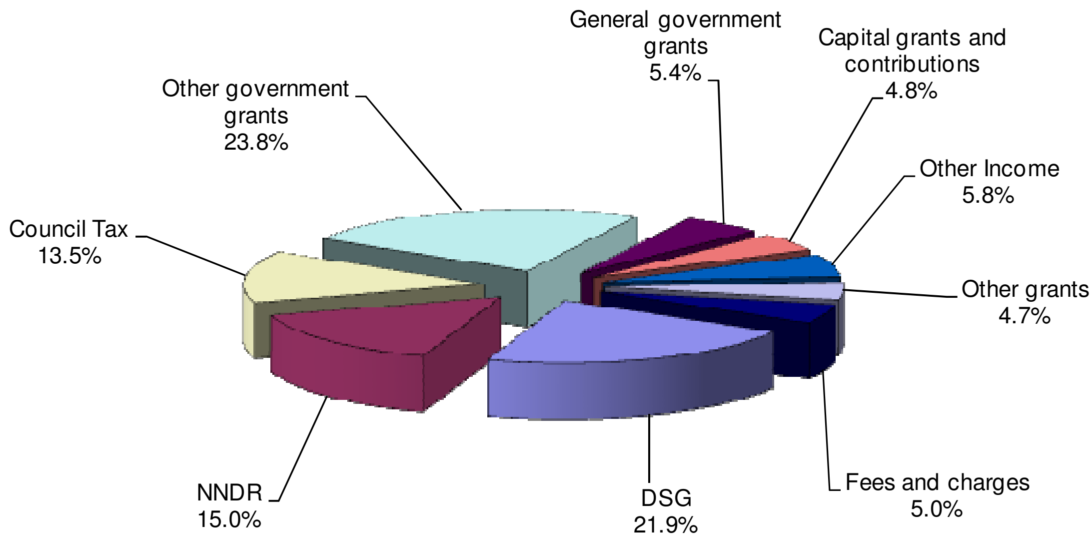
The CSR also detailed changes to funding such as the Working Neighbourhood Funding and Area Based Grant ceasing and a reduction in funding streams from 90 to fewer than 10. The majority of remaining funding streams also became un-ring fenced to enable them to be allocated to local priority areas.

Total net expenditure for the council for 2010/11, split between services, is displayed in the following pie chart.

Other expenditure in the previous chart includes £182.944m for de-recognition of assets, in particular the de-recognition of foundation schools. Please see page 5 and Note 6 (page 51) for further details.

This expenditure is funded by government grants (including dedicated schools grant), fees and charges, joint arrangements and council tax. The split of these sources of funding is displayed in the following pie chart.





The dedicated schools grant (DSG) is funding provided by the Department for Education (DfE) for the sole purpose of providing an education service. The total amount of DSG funding received by Walsall Council in 2010/11 was £175.008 million (£170.202 million in 2009/10).

At the 31 March 2011 Walsall council's balance sheet shows a negative net worth of £14.794m. It must be noted that Walsall council is in good financial health with a high liquidity ratio when comparing current assets and current liabilities. Walsall council also has a balanced budget set for 2011/12. The negative net worth position has been caused at 31 March 2011 by foundation schools being removed from the balance sheet (see page 5) and a pension liability of £361.965m (see Note 25 and 45). It is planned for the pension liability to decrease and achieve a break even position in 20 years and contribution rates have been set for the next 3 years on this premise.

These accounts are prepared on a going concern basis.

Capital expenditure

The council spent £32.087 million on capital expenditure in 2010/11, compared with the budgeted spend of £60.374 million. The following table provides details of capital expenditure during 2010/11.

	Budget £m	Actual £m	Variance £m
Mainstream projects funded by supported borrowing and capital receipts	18.089	7.132	(10.957)
Projects funded by unsupported borrowing	1.285	(16.906)	(18.191)
Non mainstream projects funded by grants	41.000	41.296	0.296
Acquired through finance leases	0.000	0.565	0.565
Total	**60.374**	**32.087**	**(28.287)**

The level of spend financed by unsupported borrowing is due to a reassessment of the amount required to settle equal pay claims. This resulted in a reduction in the provision required which was financed last year by a capitalisation order. As a result, the council has had to reverse this capital element through this year's accounts.

The table below summarises how capital expenditure was split over different assets. It also details how this expenditure was financed.

Capital expenditure Type of asset	2010/11 £m	Capital Financing Source	2010/11 £m
Land and buildings	15.970	Supported borrowing	4.874
Vehicles and equipment	2.810	Unsupported borrowing	(16.906)
Infrastructure	9.961	Capital receipts	2.095
Community assets	0.749	Capital grants and contributions	41.296
Non operational assets	6.863	Revenue	0.163
		Acquired under finance lease	0.565
Subtotal	**36.353**	**Subtotal**	**32.087**
Intangible assets	0.872		
Revenue expenditure funded from capital under statute	(5.138)		
Total	**32.087**	**Total**	**32.087**

The credit on revenue expenditure funded from capital under statute and unsupported borrowing is due to a reassessment of the amount required to settle equal pay claims. This resulted in a reduction in the provision required which was financed last year by a capitalisation order. As a result, the council has had to reverse this capital element through this year's accounts.

Revenue expenditure funded from capital under statute arises when capital expenditure is incurred on assets not owned by the council and which therefore cannot be added to the council's asset register and balance sheet. Examples are grants made to owner occupiers of private houses to carry out improvements. This expenditure is charged to revenue with a corresponding release from the capital adjustment account to ensure there is no impact on council tax.

In addition to these sources of funding the council does have two PFI schemes: St Thomas More School and street lighting. The council has financial commitments as a result of these which are financed through PFI credits from central Government and a council contribution.

Material and unusual changes to non-current assets

Walsall Council has for several years maintained foundation schools on balance sheet. This was because there was the possibility of future economic benefit and Walsall has involvement in the schools in many ways. However, following a change in government policy, economic benefit is no longer a possibility and government are clear that academies and free schools are the way forward. As a result 14 foundation schools and 4 foundation trust schools are no longer recognised on balance sheet and 1 further school has gained academy status this year. This resulted in de-recognition costs being shown as a loss on disposal of fixed assets within other operating expenditure on the CIES of £182.944m.

The status of voluntary controlled schools has also been reviewed resulting in 9 schools now being recognised on the balance sheet. This has resulted in an additional £9.237 million of assets being recognised. The council had previously held these assets at nil value.

Pensions

Walsall Council participates in the West Midlands Metropolitan Authorities Pension Fund which is administered by Wolverhampton City Council.

As at 31 March 2011 there is an actuary calculated shortfall for Walsall Council of £349.454 million (£392.396 million at 31 March 2010) (see note 80) between the forecast cost of future pensions and the value of the assets currently within the pension fund. The forecast pension payments will be paid out over a period of many years during which time the assets will continue to generate returns towards funding them. In addition future changes in the equity market will adjust the value of the fund assets.

The West Midlands Metropolitan Authorities Pension Fund underwent its triennial revaluation in 2010/11 based on conditions at 31 March 2010. This was carried out by the scheme's actuary, Mercer Limited. This revaluation reviewed the current condition of the fund and its ability to meet current and future pension obligations. It has determined the contribution rates for the next 3 years based on a requirement to bring the fund to a breakeven position over the next 20 years.

Significant changes in accounting policies

There have been a number of amendments to the accounting policies following the introduction of IFRS. The main reasons for the revisions are given below.

Policy	**Main difference compared to previous policy under UK GAAP**
Cash and cash equivalents	An expanded definition of cash to include some investments that are immediately cashable without penalty.
Employee benefits	An accrual of short term benefits such as paid annual leave, flexi and lieu time. These costs are to be recognised when earned (i.e. when service has been rendered) rather than when taken.
Exceptional items and prior period adjustments	Material prior period errors will now be corrected retrospectively. The requirement before was only to correct fundamental errors. Restatements could therefore occur more frequently. Disclosure of the effect of new standards not yet adopted is also required.
Government grants and contributions	These are to be recognised as income in the comprehensive income and expenditure account when there are no outstanding repayment conditions. Monies recognised but not spent will be carried forward in reserves. Grants with outstanding conditions will still be carried forward as creditors. Capital grants will no longer be deferred on the balance sheet to be recognised over the useful life of the associated asset.
Intangible assets	The criteria for recognition are slightly broader, and there is now no limit on the time over which such costs can be written down. The council currently has very few intangible assets, and so this change will have no noticeable effect.
Investment properties	These will be subject to annual valuation (previously 5 yearly), with any gains or losses being charged to the comprehensive income and expenditure account, and shown under a separate heading which includes all other income and expenditure relating to investment properties.
Leases	The factors determining whether or not a lease should be classed as a finance lease are less prescriptive than before. This means more leases are to be accounted for as finance leases. Where a finance lease is for property, the elements of land and building are now required to be accounted for separately. A separate standard specifies the accounting treatment of arrangements containing a lease.
Non current assets held for sale	A new category of asset with specific recognition criteria based around imminent sale. There are specific valuation issues and requirements for the accounting treatment of revaluations and impairments.
Property, plant and equipment	There is a greater emphasis on recognising components and changes to the treatment of impairment and revaluation losses.
Provisions	A minor change requiring the splitting of provisions on the balance sheet between short term provisions (those expected to be settled within 12 months) and longer term ones.
Impairment of assets	An annual assessment of impairments must be undertaken. Any impairment will be written off to balances in the revaluation reserve and thereafter to the surplus/deficit on the provision of services.

Major changes in statutory functions and planned developments

The Education Bill 2011 is currently passing through parliament. This bill will look for local authorities to play a different role. Key responsibilities will be to act as ‘Champion of Choice’ and encourage Academy/free schools, to support vulnerable children (SEN) and children in alternative provision, to provide school transport arrangements which promote fair access and to develop school improvement strategies for trading to schools. The Academies Act 2010 will impact on the number of schools that the local authority will be providing. Already 5 schools are in the progress of becoming an academy in 2011.

The Localism Bill will have considerable impact on functions of the local authority. One of the key changes in the effect on council funding from where local authorities can keep the business rates they generate. Based on data from the 2009/10 financial year, if local authorities retain their own business rates then Walsall’s funding would decease by c£43.583m.

The Comprehensive Spending Review and subsequent local government settlement of autumn/winter 2010 has seen a considerable reduction in local government funding from central Government. This reduction will continue to 2014/15. Walsall council are continuing to respond to this reduction through the Working Smarter programme. Many activities are in progress and are looking to meet the challenges over the next 4 financial years. Examples include the Smarter Workplace theme which is targeting reducing the number of buildings where council staff are based and saving money through more modern working approaches.

The ‘Healthy Lives, Healthy People’ white paper published on 30 November 2010 set out that responsibility for public health would transfer from PCT’s to Local Authorities and a new Public Health England agency. This change is due to take effect from 1 April 2013, with a shadow year due from April 2012. Further work is taking place at a national level to confirm split of services between council’s and the new agency. Details are due to be published later in 2011 which will give a better understanding of the scale and cost of services the council will take responsibility for.

Treasury Management

Walsall Council has a successful treasury management strategy that has continued to maximise investment income and minimise interest payments without undue or inappropriate exposure to financial risk.

At 31 March 2011 the council’s external long term borrowing was £281.364 million (£262.077 million on 31 March 2010). Of this, £25.483 million represents debt owed to Dudley MBC for the former West Midlands County Council debt. Walsall Council’s consolidated rate of interest for 2010/11 was 4.55% (4.63% in 2009/10).

During 2010/11 the council received £3.251 million (£2.587 million in 2009/10) of investment income. This was at an average rate of 1.93% (2.30% in 2009/10). This is in addition to £0.097m (£0.097 million in 2009/10) interest income from other sources.

The council took out £20m additional borrowing in June 2010 to minimise the risk of borrowing increases, subsequently the Government increased Public Works Loan Board (PWLB) rates by 1%. The council will be evaluating debt repayment options once all large capital payment commitments are finalised.

The council places great importance on the management of the security of all investments. This risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The annual investment strategy also considers maximum amounts and time limits in respect of each financial institution.

During 2010/11 short term investments increased to £110.925m (£47.119m 2009/10). This is mainly due to slippage into the following financial year of capital projects and an increase in earmarked reserves for revenue expenditure.

Provisions, contingencies and material write offs

Walsall council has previously made a provision for costs associated with unequal back pay and its associated costs. This provision was taken out in accordance with Financial Reporting Standard 12 - Provisions, Contingent Liabilities and Contingent Assets. This provision is also included in 2010/11 costs and is treated under International Financial Reporting Standards. The review of that provision has seen a credit to net costs of services of £20.582 million in 2010/11. The council did have an Unequal Pay Back Pay Account in 2010 of £0.489 million. In 2010/11 there is no reserve. The provision for 2010/11 is £20.344 million. This provision is in line with International Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets.

The council has set aside a £10.814 million provision for the impairment of bad and doubtful debts. Of this £5.896 million is in respect of outstanding council tax debtors, £1.629 million is for sundry debtors and the remaining £3.289 million is for housing benefit overpayment and social care debtors.

The council has made other provisions within the year. Further details can be found within note 22.

Contingent assets and contingent liabilities are covered in further detail within notes 46 and 47.

Events after the reporting date

There are currently events which need reporting under IAS10 Events after the reporting period.

A number of schools within the borough will be transferring to Academy status during 2011/12. These are listed below with the actual or expected date of transfer and the effect of the Dedicated Schools Grant (DSG) being paid directly to the school rather than the council.

Ryders Hayes Primary – 1 April 2011 - £1.390 million
Shire Oak Science College – 1 April 2011 - £5.734 million
Queen Mary’s Grammar School – 1 June 2011 - £2.111 million
Queen Mary’s High School – 1 June 2011 - £2.075 million
Barr Beacon Language College – 1 July 2011 - £4.414 million

In addition to the above amounts, Ryders Hayes Primary will be de-recognised as an asset of the council. This amounts to £2.698 million. The remaining schools are foundation or voluntary aided schools and have no asset value due to their status.

All of the above are disclosed as non adjusting post balance events.

Economic climate and its impact on Walsall Council

The current economic climate is one of very low growth and reduced public funding. This is due to the recent banking crisis and the subsequent government intervention. A result of this has been reduced government funding to all parts of the public sector including Walsall Council. This reduced funding has represented a challenge to the council as we attempt to ensure we provide the services that tax payers require, but at a lower cost.

To meet this challenge the council has put into place the Working Smarter programme. This programme is reviewing all the business processes within the council and determining where

changes can be made to improve council services whilst at the same time reducing the cost of providing services.

The forthcoming year will be one of increased financial constraints as a result of reduced funding and a council tax freeze that has been implemented. Again the council is working hard in terms of improving efficiency and working practices to ensure there is service provision maintained during these hard times.

In terms of the council's treasury management activities the low interest rates are continuing to have an impact on the investment income that the council is able to generate from its cashflows.

Statement of responsibilities

The council's responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code.

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification by the Chief Financial Officer

I, the Chief Financial Officer of Walsall Metropolitan Borough Council, certify that this statement of accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2011.

James T. Walsh ACMA, B.Hum (Hons)
Chief Financial Officer
30 June 2011

Annual Governance Statement

1. Scope of responsibility

This statement is given in respect of the 2010/11 statement of accounts for Walsall Council. Walsall Council is responsible for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. Walsall Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Walsall Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of it's functions, and includes arrangements for the management of risk.

Walsall has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website or can be obtained from the Monitoring Officer or Chief Finance Officer. This statement explains how Walsall Council has complied with the Code and also meets the requirement of regulation 4(2) of the Accounts and Audit Regulations 2011.

2. The purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Walsall Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Walsall Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The Council acknowledges its responsibilities in ensuring the following key elements of the governance arrangements including the system of internal control, are in place and this statement provides further information on how it achieves this, including:

- Identifying and communicating the authority's vision and intended outcomes for citizens and service users, reviewing the vision and its implications for the authority's governance arrangements
- Establishing and monitoring the achievement of the Authority's objectives, including measuring the quality of services for users and customers
- Establishing clear channels of communication with the community and stakeholders, ensuring accountability and open consultation
- The facilitation of policy and decision making

- Complying with established policies, procedures, laws and regulation, including how risk assessment is embedded in the activity of the Authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- Complying with the Local Code of Governance
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions of the council;
- Developing, communicating and embedding codes of conduct and defining standards of behaviour
- Undertaking the core functions of an Audit Committee
- Whistleblowing and receiving and investigating complaints from the public
- Identifying and supporting development needs of members and senior officers
- Financial management of the Authority and its reporting
- Ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- Performance of the Authority and the reporting of performance management
- Programme and project management
- Incorporating good governance arrangements in respect of partnerships and other group working.

The internal control environment and governance framework is an integral part of the council's Walsall Performance Framework (WPF). The WPF (diagram 1 overleaf) sets out how the various planning processes interlink and jointly demonstrate how services and resources are managed. It is the framework within which the council operates and is underpinned by functional frameworks that provide guidance and protocols, comprising financial, performance, risk, communication and political management processes. The WPF exists to embed performance management and continuous improvement into our normal business activities and shows how services and activities are regularly measured and monitored to enable effective decision making, helping to ensure the council delivers efficient, customer focussed services that provide value for money.

It connects the following:

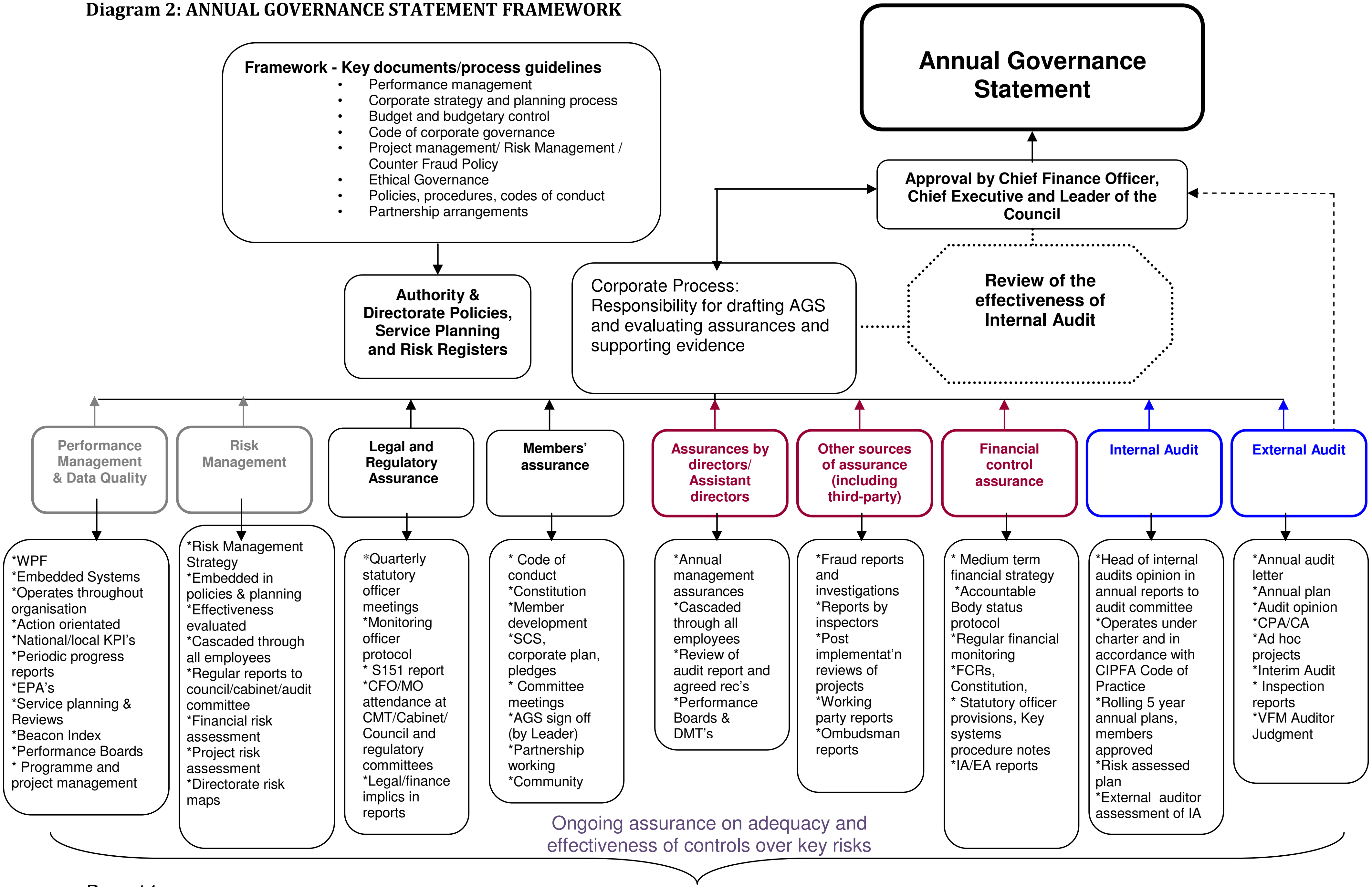
- Sustainable Community Strategy
- Corporate Plan, vision, pledges and values
- Service planning (of all levels) of the council and its partners
- Financial planning (of all levels)
- Local Area Plans
- Individual Employee performance assessment (EPA)

All of which take place in an environment of stakeholder influence, audit and inspection, internal control and monitoring in order to develop continuously improving services.

Diagram 1: The WPF

The governance framework consists of regular management information, financial and contract rules, established financial, budgetary, personnel and other procedures, a performance management framework, community and corporate planning, management supervision in accordance with the corporate employee performance assessment (EPA) framework, a comprehensive risk management strategy and process, project management methodology and a system of officer and member delegation and accountability and codes of conduct. Diagram 2 shows the overall governance framework which is discussed in more detail in this section.

Diagram 2: ANNUAL GOVERNANCE STATEMENT FRAMEWORK



The council acknowledges its responsibility for ensuring that effective governance arrangements, including an effective system of internal control (including financial control), are maintained and operated in connection with the resources concerned. Any system of internal control, including internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. Development and maintenance of the system is undertaken by managers within the council.

In particular, the system includes the following key elements:

- A sustainable community strategy, setting out ambition, objectives and priorities of the council and key partners, developed following extensive consultation with the community and stakeholders. – linked to corporate and service planning.
- A comprehensive risk management strategy and framework, operating at both strategic and operational levels;
- A comprehensive programme and project management approach;
- A risk assessed Internal Audit programme which is planned in advance to cover all major systems of internal control and which is based on a risk assessment of key systems and controls;
- A comprehensive financial strategy, including budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing;
- An approved Constitution, including financial and contract rules and a scheme of delegation and decision making processes of the council;
- Clear measures of financial and other performance through a comprehensive performance management framework, linked to service planning and the corporate plan;
- The preparation of regular performance and financial reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against budget and highlight remedial action, where required;
- Clearly defined capital expenditure strategy and guidelines;
- Project management principles adopted as the methodology for all projects, requiring all projects to be managed using the same underlying principles and regular reporting of progress to CMT and directorate boards;
- Continued use of an accountable body status protocol in relation to partnership working to ensure that activities are administered consistently and robustly across the council;
- Performance boards (in most directorates) which receive, consider and assess service planning and performance measures, financial planning and project management processes to influence and drive continuous improvement;
- Human resources and other policies and procedures, including codes of conduct (member and officer), whistle blowing policy and an anti-fraud and anti-corruption policy and strategy;
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- Member and officer development strategy and individual development planning processes;
- Statutory Monitoring and Chief Finance Officers ensuring the council operates within existing legislation and statutory guidance;
- Comprehensive communication and consultation arrangements both internally and externally;
- Lead member for risk management.

There are a number of key elements of the governance framework and internal control environment which ensures the council is able to monitor and manage the achievement of its objectives. These are included in the council's published overarching strategies and plans including; the sustainable community strategy; the corporate plan; medium term financial strategy, corporate budget plan,

capital strategy, risk management strategy; treasury management strategy; programme and project management approach, and directorate strategy and planning documents.

These documents set out the council's priorities, vision and key pledges. They are supported by directorate, service and team plans, which contain measures designed to support the achievement of council objectives. A comprehensive performance management framework exists which operates throughout the council and performance is reported to senior management teams, CMT, Cabinet, and to relevant scrutiny and performance panels on a regular planned basis.

The council is committed to continuous improvement but recognises that it cannot achieve this without community and partner engagement. It is committed to working with partners through the Walsall Borough Strategic Partnership (our Local Strategic Partnership), and with the community and partners, through the Area Partnerships.

The council's constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity is transparent and accountable to the local community. This includes a scheme of delegation and contract and financial rules, which set out the control environment in which the council operates.

A key aspect of the system of internal control is the identification of key risks to the organisation and key controls needed to mitigate these risks. Comprehensive, embedded and effective performance and risk management arrangements are fundamental to demonstrating good governance.

The council has an established comprehensive risk management framework, designed to identify, evaluate, manage and where possible, mitigate, risks to the council in delivering its objectives. There is an ongoing programme of reporting and review of both strategic and operational risks, and this extends to an assessment of risks in service planning, financial planning and major projects and partnerships.

Strategic risks are identified, evaluated, incorporated into a corporate risk register and reported to senior management and CMT. This includes risk management action plans produced for each key strategic risk. Cabinet also receives reports on risk management. The risk management strategy is reviewed annually by Cabinet and is subject to examination by the Audit Committee as part of its established regulatory activities. Audit Committee have their own risk register and receive regular updates on this. In addition, in 2009/10, a review of the effectiveness of Audit Committee was undertaken by Grant Thornton and an action plan is in place to address their recommendations.

Each directorate has identified directorate risks and work continues to ensure that the management action plans arising from these take proper account of the balance of risk and resources to ensure that appropriate and proportionate action is put in place. Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the level and appropriateness of general and other reserves. Each directorate has a risk champion and all individual posts are risk assessed within the council and are subject to review. Risk workshops are held to ensure risk champions and those involved in the assessment and management of risk are appropriately trained. An elected member has lead responsibility for risk management.

Arrangements for the provision of Internal Audit are contained within the council's Constitution. The council, via its statutory Chief Finance Officer (CFO) must ensure that there is an adequate and effective Internal Audit of accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2011.

The Constitution states that:

- The Head of Internal Audit has the right to report directly to the Chief Executive, executive directors and elected members when this is appropriate, as well as routinely reporting to the CFO and operational managers;

- Internal Audit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom under the day-to-day control of the Head of Internal Audit who acts independently;
- The Internal Audit service plans and prioritises its work through a combination of assessment and review of the council's service provision, corporate governance arrangements, risk management processes and key internal control systems, supplemented by a programme of fraud and irregularity/consultancy work and scheduled visits to council establishments;
- The annual work plan is endorsed by CMT and Audit Committee. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted promptly to executive directors, senior managers, school heads and chairs of governors as appropriate. Regular progress reports are submitted to the council's Audit Committee for review purposes;
- The Head of Internal Audit is required to report annually on his/her opinion in respect of the overall adequacy and effectiveness of the council's internal control environment.

A comprehensive system of performance monitoring and reporting is in place at service management, corporate (executive) management and member level. This includes regular reports to scrutiny and performance panels and Cabinet. Regular reports are also presented to senior management and CMT. A corrective action planning process is in place for all measures not achieving target and progress is continually monitored.

Executive and assistant directors are required to provide quarterly assurance statements that agreed audit actions are being implemented, and where control weaknesses are identified, to put in place remedial action in a timely manner, and as agreed with audit. They are also required to provide an annual assurance statement to acknowledge that internal controls were in place and operating effectively for the financial year; and that where weaknesses were in place, corrective action was being actively and effectively taken and managed.

The Audit Committee receives reports on the implementation of agreed internal and external audit recommendations / actions, and on risk management and seeks to ensure agreed recommendations are actioned and managed within directorates. The Committee has a function in respect of the system of internal control and its effectiveness and the work of the Committee includes the review of the statement of internal control and its approval in September of each year.

4. Review of Effectiveness

Walsall council (via Audit Committee) has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is set out below.

Cabinet, CMT and senior officers monitor the effectiveness of the governance framework through receiving regular monitoring reports on performance management, financial management, programme and project management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receive regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness. In addition, CMT, the Leader and elected members, via the Audit Committee formally consider and approve the Annual Governance Statement (AGS) annually.

Head of Internal Audit Assessment of Governance and Internal Control Effectiveness during 2010/11

The review of the effectiveness of the system of internal control is informed by the work of the Head of Internal Audit and their annual report on the overall adequacies of the internal control environment. In respect of the 2010/11 financial year, the following opinion has been given by the Head of Internal Audit;

"In my opinion, formed solely on the basis of the work undertaken by internal audit and its partner organization in 2010/11, and the positive action taken, intended to be taken or confirmed as having been taken by managers to implement agreed audit report actions, Walsall council's overall system of internal control facilitates the effective provision of the council's functions and provides a satisfactory level of assurance regarding the effective, efficient and economic exercise of the council's functions.

Control weaknesses were identified during the 2010/11 financial year and were reported as such to relevant managers. The opinion as to the level of assurance that can be placed on the system of internal control is based on evidence provided by managers to auditors confirming that they had implemented or agreed to implement actions detailed within agreed audit report action plans in the areas for which they are responsible.

The system of internal control can only provide reasonable and not absolute assurance regarding the achievement of the council's policies, aims and objectives. The opinion is based on work in the approved operational audit plan, including irregularity, consultancy and advisory work carried out in 2010/11".

All audit work is subject to agreed terms of reference, objectives and resources allocated by the council for that purpose.

Executive Director Assurance

Executive directors each provide an assurance statement that, for AGS purposes, they are satisfied that appropriate action has been taken by managers to implement the agreed recommendations / actions arising from audits in 2010/11. In addition, they provide assurance that controls were in place and operating effectively.

One area was identified in the annual assurance statement from the Executive Director – Neighbourhood Services of control weakness. This relates to Walsall Lifelong Learning Alliance and was highlighted following an audit requested by the Principal of Walsall Adult and Community College (WACC). An Internal Audit report into this activity raised a number of concerns regarding governance arrangements, contract and financial management. An action plan is now in place and is actively being managed.

Statutory Officer Assurance

Both the Monitoring and Chief Finance officers provide assurance statements on the governance and internal control environment. Neither raised issues of concern.

Effectiveness Review of Internal Audit

The Accounts and Audit (Amendment) Regulations 2006, introduced in 2006/7 (amended in 2011), a new requirement for the council to conduct a review of the effectiveness of its Internal Audit function.

A self-assessment document was produced by the Head of Internal Audit in respect of the effectiveness of Internal Audit, assessed against the CIPFA Code of Internal Audit Practice and recent CIPFA guidance. The self-assessment was reviewed independently. The system of Internal Audit was assessed as satisfactory overall.

In addition, the council's external auditors, Grant Thornton has undertaken a review of internal audit. In their interim report dated May 2011, they concluded that the 'service continues to provide an independent and satisfactory service to the council and that they can take assurance from internal audit's work in contributing to an effective internal control environment at the council'.

Grant Thornton reviewed internal audit's overall arrangements against the 2006 CIPFA Internal Audit Standards. Grant Thornton concluded that the service itself is contributing positively to the internal control environment and overall governance arrangements within the council.

In assessing the effectiveness of internal audit work, Grant Thornton reviewed three internal audit files to ensure that:

- systems were adequately documented;
- key controls have been identified and evaluated;
- key controls have been tested; and
- weaknesses have been reported to management.

Grant Thornton concluded that they were pleased to note from these files that no significant issues were identified with internal audit's work.

Council Committees and Governance Arrangements

Audit Committee has a regulatory role in terms of receiving reports on the effectiveness of the system of internal control through receipt and consideration of Internal Audit quarterly reports. During 2010/11, Audit Committee undertook a new practice of receiving all internal audit reports which had been finalised during the period, receiving a 'no' or 'limited' assurance opinion; or in the case of schools, deemed to be non compliant. A sample of these reports was selected by Committee for further detailed review and scrutiny; and for accountable officers together with their Executive Directors to be called before the Audit Committee to provide necessary assurances. In addition, Internal Audit has a strategic risk assessed plan which has been endorsed by CMT and Audit Committee.

To support their assessment of the Council's use of resources, Grant Thornton completed a review of the Audit Committee in order to appraise it's effectiveness as an important part of the councils governance framework. Recommendations were made and an action plan drawn up and approved by the Committee on 25 October 2010. Implementation of this is ongoing.

The functions of the Standards Committee are determined by statute and the Constitution. Standards Committee have a role in ensuring and promoting good ethical conduct.

The Constitution clearly sets out the role of officers and members, including the three statutory posts of the chief finance officer (S151 officer), head of paid service and monitoring officer. In 2010/11, quarterly statutory officer's meetings were held to review and oversee and ensure statutory provisions are being adhered to.

The council recognised the need to formalise its arrangements with a variety of 'partner' bodies where it is classed as the 'accountable body'. Accountability agreements have been developed and were in operation during 2010/11, for a number of these, such as New Deal, tPCT, Walsall Town Centre Partnership and a Walsall Partnership Memorandum of Agreement. This ensures all parties to each arrangement are clear about their respective responsibilities so that services can be planned and delivered in a cost effective way which continues to ensure good governance arrangements.

Other Supporting Evidence

The effectiveness of the council's governance framework can further be evidenced by the:

- External auditors' annual Interim Audit which includes a review of the council's overarching entity level controls, with only one recommendation relating to the need to update the budget

management and control manual. A number of improvements were highlighted and recommendations made which will be implemented;

- Quality assurance controls put in place by the Head of Internal Audit and managers, in managing and delivering the Internal Audit service in accordance with the CIPFA code of practice and including such areas as discussion/agreement of the risk based audit plan and each individual audit review;
- The role of the Audit Committee in endorsing Internal Audit's work plan and in their regular review and scrutiny of audit performance and;
- The regular review of Internal Audit work by the CFO including meetings with the Head of Internal Audit;
- A high performance and achievement level against targets, including a 98% delivery of the annual audit plan in 2010/11;

The review of effectiveness is also informed and evidenced by the following;

- The Interim Audit report from Grant Thornton contains an interim update on the annual value for money assessment. 4 out of 6 risk areas were assessed as Green (no cause for concern). 2 areas were assesses as Amber (potential risks and/or weaknesses in this area. No areas were assessed as Red (High risk area). The council is confident the 2 Ambers - key indicators of performance (liquidity and borrowing and sickness), and financial planning (MTFP publication) will move to Green once the final assessment has been made. We are expecting an unqualified VFM opinion.
- The work of the council's external auditors with the 2009/10 Annual Audit letter, published December 2010, including the provision of an unqualified opinion on both the 2009/10 accounts and the council's use of resources (value for money).

The council has introduced a Local Code of Governance which was approved by Audit Committee and Standards Committee in 2008/09. Review of the Code against the CIPFA/SOLACE framework highlighted some areas of omission (partnership protocol and need for awareness training). A partnership toolkit has now been produced along with a register. Further work is in train to review and embed this.

<u>2009/10 Identified Control Weaknesses</u>

The review of effectiveness also covered the work undertaken in 2010/11 to address the control weaknesses identified in the 2009/10 AGS including:

ERDF

The 2009/10 AGS identified areas of significant internal control weakness relating to the management of the European Structural Fund Objective 2 Action Plan, in respect of ERDF grant. Grant Thornton, the council's external auditors, were requested by Council to carry out an investigation into the management of the programme and the circumstances that led to decommitment /clawback of a significant amount of ERDF funds. The report was presented to a special Audit Committee on 24 March 2010.

The council's action plan to address the findings and recommendations of the Grant Thornton report was presented to Audit Committee on 14 June for their consideration, comment and approval. Progress on implementing actions was reported to Audit Committee in 2010/11.

Planned Audit work:

The assessment of the governance framework and planned audit work undertaken did identify that although in most audit assignments the processes examined were generally working satisfactorily, some non-significant system weaknesses were identified in some services. A number of high priority suggested improvements were made during the year to address control weaknesses and all were or are being agreed for implementation by managers. Specifically mentioned were:

- Information security management, received a limited assurance opinion. Areas for improvement noted in the report, including ensuring that a corporate-wide approach to information security management is promoted; that staff awareness of information security control requirements is required; that an update to the overarching information security protocol statement that governs the security of information assets is also required; and that information security control procedures are reviewed and updated. Follow ups have been undertaken and 1 out of 5 recommendations have been implemented. The remaining 4 are subject to agreed revised implementation dates.

- Payroll – receiving a limited assurance opinion from the internal audit service. The 2010/11 audit has now been completed and payroll received a borderline significant assurance. Further detail is provided below.

- Control weaknesses relating to the management of the Preventing Violent Extremism grant. An internal audit report was completed and the actions arising from this are being implemented by the Neighbourhood Services directorate. Follow up of the 26 actions agreed in the June 2010 report has identified that 25 have been implemented and 1 was partially implemented (as no further commissioning expenditure had been incurred it was not possible to demonstrate implementation of this action). An additional action plan was issued in March 2011 containing 4 suggested actions. Follow up has identified that 3 of these actions have been implemented and 1 is recorded as to be implemented.

<u>2010/11 Identified Control Weaknesses</u>

During 2010/11 internal audit reviews were undertaken of the fundamental financial systems, of which there are 12. Internal Audit has acknowledged that these key financial systems are operating satisfactorily, all receiving a significant assurance audit opinion. Payroll and capital programme / project management had a number of improvements highlighted in ensuring controls and processes are fully effective, for example, in the processing of new starters, variations to pay and leavers.

With regard to the ‘capital programme / project management’ review, the summary audit opinion states that a number of good practices were noted during the audit, however some areas for improvement have been identified, including, ensuring:

- project management policies & procedures are clear and are understood by all officers involved/responsible for project management;
- a consistent approach in the use of project documentation;
- key documentation is uploaded onto the Mantix system;
- officers are fully aware of the definition and requirements of a project;
- all projects are compliant with the Walsall Project Approach (WPA); and
- that risk assessments are completed on a regular basis.

In addition to fundamental financial systems, audits were undertaken of other financial and non financial systems and processes that contribute to the council’s overall corporate governance arrangements. None of these cases were material in the context of the statement of internal control.

Internal audit’s work identified that in most audit assignments the processes examined were generally working satisfactorily, however some system weaknesses were identified.

Overall 129 specific audit reviews were undertaken, excluding unplanned irregularity and consultancy work. Of these:

- 3 reviews (2%) received a full assurance opinion;
- 90 reviews (70%) received a significant assurance opinion;
- 22 reviews (17%) received a limited assurance opinion; and
- No reviews received a no assurance opinion.

For schools reviews:

- 12 reviews (9%) received a compliant opinion;
- 2 reviews (2%) received a non compliant opinion.

Overall, 81% of reviews (105 reviews) were given significant assurance / compliant, or above.

In addition, fraud and irregularity work was undertaken by the Internal Audit service during the year. A total of 92 unplanned jobs, including a small number of suspected frauds and irregularities, were undertaken by the service during the year, 1 being notified through the whistle blowing procedure. A contingency exists within the annual audit plan for this type of work, including consultancy. A lower than anticipated level of time was spent on this work during the year; from 771 planned days to 627 actual days, a reduction of 144 days. A summary of the audit inquiry work undertaken is reported quarterly to the Audit Committee. While most cases were not material in the context of the Annual Governance Statement, 3 cases in particular, have given cause for concern this year relating to 2 potential frauds / thefts and 1 creditor payment fraud. These have been investigated by the section and are currently subject to ongoing police and court proceedings. Controls within these areas have been subject to review and action taken as appropriate.

We have been advised on the implications of the result of the review of the effectiveness of the governance arrangement, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Actions plans are in place for all of these audits and all will be formally followed up during 2011/12.

5. Significant Governance Issues

The identification, analysis and management of risks for the delivery of its objectives are key to maintaining an effective system of internal control. It is also recognised that there remains a further need to fully embed the internal control procedures across the organisation.

The officers who drafted this AGS, evaluated assurances and supporting evidence, concluded the effectiveness of the governance framework, including the system of internal control is satisfactory overall and there are no significant governance issues to report. Areas of concern in relation to fraud and irregularity, whilst not material for the purposes of the Annual Governance Statement, have been identified and included within the previous section of this statement and action taken as appropriate.

…………………………..
COUNCILLOR Mike BIRD
Leader of the Council
29 June 2011

In approving this statement, the views and assurances of the statutory officers and executive directors have been sought and appropriate evidence obtained to support it.

…………………………..
PAUL SHEEHAN
Chief Executive
30 June 2011

In approving this statement, the views and assurances of the statutory officers and Executive Directors have been sought and appropriate evidence obtained to support it.

…………………………..
JAMES T. WALSH, ACMA
Chief Finance Officer
29 June 2011

In approving this statement, the views and assurances of the statutory officers and executive directors have been sought and appropriate evidence obtained to support it.

Core Financial Statements

Movement in reserves statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (surplus) or deficit on the provision of services line shows the true economic cost of providing the council's services, more details of which are shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The net increase / decrease before transfers to earmarked reserves line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2010/11 Actuals

	General Fund Balance £m	Earmarked General Fund Balances £m	Capital Grants Unapplied £m	Capital Receipts Reserve £m	Total Usable Reserves £m	Total Unusable Reserves £m	Total reserves of the authority £m
Balance at 31/03/10 carried forward	**(8.267)**	**(61.415)**	**(24.141)**	**(5.303)**	**(99.126)**	**(8.527)**	**(107.653)**
(Surplus) or deficit on provision of services (accounting basis)	128.555	0.000	0.000	0.000	**128.555**	0.000	**128.555**
Other comprehensive income and expenditure	0.000	0.000	0.000	0.000	**0.000**	(6.108)	**(6.108)**
Total comprehensive income and expenditure	**128.555**	**0.000**	**0.000**	**0.000**	**128.555**	**(6.108)**	**122.447**
Adjustments between accounting basis & funding basis under regulations (note 8)	(153.008)	0.000	(5.586)	0.104	**(158.490)**	158.490	**0.000**
Net (increase) / decrease before transfers to earmarked reserves	**(24.453)**	**0.000**	**(5.586)**	**0.104**	**(29.935)**	**152.382**	**122.447**
Transfers to/from earmarked reserves (note 9)	18.972	(18.972)	0.000	0.000	**0.000**	0.000	**0.000**
(Increase) / decrease in year	**(5.481)**	**(18.972)**	**(5.586)**	**0.104**	**(29.935)**	**152.382**	**122.447**
Balance at 31/03/11 carried forward	**(13.748)**	**(80.387)**	**(29.727)**	**(5.199)**	**(129.061)**	**143.855**	**14.794**

2009/10 Comparatives

	General Fund Balance £m	Earmarked General Fund Balances £m	Capital Grants Unapplied Account £m	Capital Receipts Reserve £m	Total Usable Reserves £m	Total Unusable Reserves £m	Total reserves of the authority £m
Balance at 31/03/09 carried forward	**(5.096)**	**(52.442)**	**(16.850)**	**(9.258)**	**(83.646)**	**(186.358)**	**(270.004)**
(Surplus) or deficit on provision of services (accounting basis)	68.783	0.000	0.000	0.000	**68.783**	0.000	**68.783**
Other comprehensive income and expenditure	0.000	0.000	0.000	0.000	**0.000**	93.568	**93.568**
Total comprehensive income and expenditure	**68.783**	**0.000**	**0.000**	**0.000**	**68.783**	**93.568**	**162.351**
Adjustments between accounting basis & funding basis under regulations (note 8)	(80.927)	0.000	(7.291)	3.955	**(84.263)**	84.263	**0.000**
Net (increase) / decrease before transfers to earmarked reserves	**(12.144)**	**0.000**	**(7.291)**	**3.955**	**(15.480)**	**177.831**	**162.351**
Transfers to/from earmarked reserves (note 9)	8.973	(8.973)	0.000	0.000	**0.000**	0.000	**0.000**
(Increase) / decrease in year	**(3.171)**	**(8.973)**	**(7.291)**	**3.955**	**(15.480)**	**177.831**	**162.351**
Balance at 31/03/10 carried forward	**(8.267)**	**(61.415)**	**(24.141)**	**(5.303)**	**(99.126)**	**(8.527)**	**(107.653)**

Comprehensive income and expenditure statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

	2009/10				2010/11	
Gross Expenditure £m	**Gross Income £m**	**Net Expenditure £m**		**Gross Expenditure £m**	**Gross Income £m**	**Net Expenditure £m**
138.134	(44.234)	93.900	Adult social care	105.104	(37.319)	67.785
9.084	(5.036)	4.048	Central services to the public	10.773	(5.771)	5.002
360.914	(249.294)	111.620	Education & children's services	368.368	(271.866)	96.502
6.679	(0.005)	6.674	Corporate & democratic core	10.728	(0.249)	10.479
0.289	(0.019)	0.270	Court services	0.241	0.000	0.241
80.854	(15.861)	64.993	Cultural, environmental, regulatory & planning services	74.527	(19.291)	55.236
22.128	(9.967)	12.161	Highways & transport services	27.560	(5.974)	21.586
129.970	(123.205)	6.765	Housing services	139.485	(133.520)	5.965
1.685	0.000	1.685	Non-distributed costs	(49.854)	0.000	(49.854)
0.000	(1.332)	(1.332)	Exceptional items	0.000	0.000	0.000
749.737	**(448.953)**	**300.784**	**Net cost of services**	**686.932**	**(473.990)**	**212.942**
23.913	(1.751)	22.162	Other operating expenditure (note 10)	196.934	(0.154)	196.780
72.123	(38.665)	33.458	Financing and investment income and expenditure (note 11)	79.114	(50.431)	28.683
0.000	(287.621)	(287.621)	Taxation and non-specific grant income (note 12)	0.000	(309.850)	(309.850)
845.773	**(776.990)**	**68.783**	**(Surplus) or deficit on provision of services**	**962.980**	**(834.425)**	**128.555**
		(7.294)	(Surplus) or deficit arising on revaluation of non-current assets (note 25)			(0.254)
		(10.788)	(Surplus) or deficit arising on revaluation of available for sale financial assets (note 25)			0.000
		111.650	Actuarial (gains) and losses on pension fund assets and liabilities (note 25)			(5.854)
		162.351	**Total comprehensive income and expenditure**			**122.447**

Balance sheet

The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2011. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of general reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line 'Adjustments between accounting basis and funding basis under regulations'.

2008/9 £m	2009/10 £m		Note	2010/11 £m
729.652	715.444	Property, plant and equipment	13	489.407
2.044	1.752	Investment property	14	1.948
0.401	0.339	Intangible assets	15	0.522
0.000	0.000	Assets held for sale	20	0.000
31.705	29.493	Long term investments	16	27.493
10.687	10.335	Long term debtors	16	9.982
774.489	**757.363**	**Long term assets**		**529.352**
43.025	47.119	Short term investments	16	110.925
0.100	0.050	Assets held for sale	20	0.721
0.580	0.484	Inventories	17	0.487
42.583	43.824	Short term debtors	18	40.030
11.498	43.156	Cash and cash equivalents	19	34.300
97.786	**134.633**	**Current assets**		**186.463**
0.000	0.000	Bank overdraft	19	0.000
(0.181)	(0.182)	Short term borrowing	16	(0.166)
(47.501)	(57.855)	Short term creditors	21	(57.098)
(7.631)	(55.927)	Provisions	22	(28.243)
0.000	0.000	Liabilities in disposal groups		0.000
(55.313)	**(113.964)**	**Current liabilities**		**(85.507)**
0.000	0.000	Long term creditors		0.000
(2.133)	(1.663)	Provisions	22	(1.773)
(262.730)	(262.077)	Long term borrowing	16	(281.364)
(282.095)	(406.639)	Other long term liabilities	23	(361.965)
0.000	0.000	Capital grants receipts in advance		0.000
(546.958)	**(670.379)**	**Long term liabilities**		**(645.102)**
270.004	**107.653**	**Net assets**		**(14.794)**
(83.646)	(99.126)	Usable reserves	24	(129.061)
(186.358)	(8.527)	Unusable reserves	25	143.855
(270.004)	**(107.653)**	**Total reserves**		**14.794**

Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

2009/10 £m		**2010/11 £m**
68.783	Net (surplus) or deficit on the provision of services	128.555
(666.966)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(773.371)
568.947	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	621.727
(29.236)	**Net cash flows from operating activities**	**(23.089)**
(8.733)	Investing activities (Note 27)	55.212
6.311	Financing activities (Note 28)	(23.267)
(31.658)	**Net increase or decrease in cash and cash equivalents**	**8.856**
(11.498)	Cash and cash equivalents at the beginning of the reporting period	(43.156)
(43.156)	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**(34.300)**

Notes to the accounts

1. Accounting policies

General Principles

The statement of accounts summarises the council's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The council is required to prepare an annual statement of accounts by the Accounts and Audit regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Best Value Accounting Code of Practice (BVACOP) 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of expenditure and income

The revenue accounts of the council are maintained on an accruals basis in accordance with proper accounting practices. In particular:

- Fees, charges and rents are accounted for as income at the date the council provides the relevant goods or service.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the supply date and when the supplies are used, they are carried as stock on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the surplus or deficit on provision of services, unless they properly represent capital receipts or capital expenditure.

Cash and cash equivalents

The council identifies cash as being both cash in hand and demand deposits (i.e. bank current accounts). These also include any bank overdrafts that the council may have. Cash equivalents are identified as short term liquid deposits held by the council. These are any deposits made by the council with financial institutions that have an initial maturity period of less than three months and are not subject to penalties for early redemption. This will include at call and money market fund investments.

Prior period adjustments, changes in accounting policies and estimation errors

Prior period adjustments arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable/relevant information about the effect of transactions, other events and conditions on the council's financial position/performance. Where a change is made it is

applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance, the minimum revenue provision.

Depreciation, revaluation and impairment losses and amortisations are replaced by the minimum revenue provision, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

Employee benefits

Benefits payable during employment

Short term employee benefits (i.e. wages and salaries, annual leave, flexi-time and time off in lieu) are accounted for in the period in which the employee render services. An accrual is made for the cost of holiday entitlements (or any other form of leave) earned by employees but not taken before the year end that can be carried forward into the following financial year. The accrual is charged to the surplus or deficit on the provision of services. It is then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year that the holiday absence occurs.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy. These are charged on an accruals basis to the non distributed costs line in the comprehensive income and expenditure statement when it is demonstrably committed to either terminate the employment of current employees or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or individual in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits, and replace them with debits for the cash paid to the pension fund and individuals and any such amounts payable but unpaid at the year-end.

Post employment benefits

Employees of the council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pensions Scheme, administered by Wolverhampton City Council

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

Arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and the education surplus or deficit on provision of services is charged with the employer's contributions payable to teachers' pensions in the year.

Local government pension scheme

The local government scheme is accounted for as a defined benefits scheme.

The liabilities of the West Midlands Metropolitan Authorities Pension Fund attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, based on the weighted average of spot yields on high quality corporate bonds in the Barclays capital sterling aggregate: corporate index.

The assets of the West Midlands Authorities Pension Fund attributable to the council are included in the balance sheet at their fair value:

- Quoted securities - current bid price
- Unquoted securities - professional estimate
- Unitised securities - current bid price
- Property - market value

The change in the net pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years service earned in year – allocated in the surplus or deficit in provision of services to the service for which the employee worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years service earned in earlier years – debited to the surplus or deficit on provision of services as part of non-distributed costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the surplus or deficit on provision of services within financing and investment income and expenditure
- Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long term return – credited to the surplus or deficit on provision of services within financing and investment income and expenditure
- Gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the surplus or deficit on provision of services as part of non distributed costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to other comprehensive income and expenditure

- Contributions paid to the West Midlands Metropolitan Authorities Pension Fund – cash paid as employers contributions to the pension fund

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the movement in reserves statement there are appropriations to and from the pensions reserve to remove notional debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Discretionary benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the balance sheet date

These are events that have occurred between the end of the financial year, 31 March 2011, and the date the financial accounts are authorised for issue. Two types of event can be identified:

- Adjusting events occur where conditions existed at the financial year end
- Non-adjusting events occur where the conditions arose after the financial year end

Adjusting events are recognised by the adjustment of the financial statements and are detailed within a note to the accounts. Non-adjusting events are not recognised by an adjustment within the financial statements but are disclosed within a note to the accounts.

Financial instruments

Financial assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determined payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables

Loans and receivables are initially measured at fair value and subsequently carried at their amortised cost. Annual credits to the surplus and deficit on provision of services for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the comprehensive income and expenditure statement.

Any gain or loss that arises on de-recognition of an asset is credited or debited to the comprehensive income and expenditure statement.

Available-for-sale assets

Available-for-sale assets are initially measured and subsequently carried at fair value. Where the asset has fixed or determinable payments, annual credits to the comprehensive income and expenditure statement for interest receivable are based on the amortised cost of the asset

multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income (i.e. dividends) is credited to the comprehensive income and expenditure statement when it becomes receivable by the council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the available-for-sale reserve and the gain/loss recognised in the comprehensive income and expenditure statement. The exception is where impairment losses have been incurred – these are debited to the comprehensive income and expenditure statement along with any net gain/loss for the asset accumulated in the reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a change made to the comprehensive income and expenditure statement.

Any gains or losses that arise on the de-recognition of the asset are credited/debited to the comprehensive income and expenditure statement.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Financial liabilities

Financial liabilities are initially measured at fair value and subsequently carried at their amortised cost. Annual charges to the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount present in the balance sheet is the outstanding principal repayable and interest charged to the surplus or deficit on provision of services is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the comprehensive income and expenditure statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the surplus or deficit on provision of services is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the surplus or deficit on provision of services, regulations allow the impact on the general fund balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was paid. For discounts receivable, statute limits this to a maximum of 10 years. The reconciliation of amounts charged to the comprehensive income and expenditure statement to the net charge required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

For stepped rate loans (i.e. LOBO's – Lender Option Borrower Option loans) taken prior to 9 November 2007, Walsall Council has applied regulation 30E of the Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008 (SI 2008/414). This allows local authorities to continue with their established method of calculating interest on these loans prior to this date rather than that required by the code; either charging just the interest payable or creating a deferred liability to enable the smoothing of interest over a defined period set by the council.

Walsall's method, in line with the above regulation, is to charge the interest paid in year with an adjustment to smooth interest up to the first option date where the new interest rate is unknown.

Government/non-government grants and contributions

Whether paid on account, by instalments or in arrears, grants and third party contributions and donations are recognised as income due to the council when there is reasonable assurance that;

- the grants/contributions will be received
- the council will comply with any conditions attached to the payments

Monies will not be recognised within the comprehensive income and expenditure account until the conditions attached to the grants/contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential in the asset acquired using the grant/contribution are required to be consumed by the council as specified in the grant conditions or the grant/contribution must be repaid to the awarding body.

Where the conditions have not been satisfied the grant/contribution will be carried on the balance sheet as creditors. When the conditions have been satisfied the grant/contribution will be recognised in the comprehensive income and expenditure statement by either crediting:

- the relevant service line (attributable revenue grants/contributions)
- taxation and non specific grant income (non-ringfenced revenue grants and all capital grants)

Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Area based grant

Area based grant (ABG) is provided by Communities and Local Government (CLG) as a means of general funding. Therefore ABG is not ring-fenced for a specific purpose. It is shown in the comprehensive income and expenditure statement as taxation and non-specific grant income.

Impairment of non-current assets

At the end of the financial period all non-current assets (excluding non-current assets classified as held for sale) are assessed by type of asset for an indication of any possible impairment. If there is an indication of a possible impairment, an estimate of the new asset value is made. If there is no indication of a possible impairment no further action is taken.

Any loss created by impairment of an asset is recognised firstly in the revaluation reserve up to the amount held in the reserve for that asset. Any remaining amount is recognised in the comprehensive income and expenditure statement.

If the conditions that gave rise to an earlier impairment no longer exist the impairment is reversed out of the comprehensive income and expenditure statement and reinstated to the asset value. This reversal will not exceed what would be the carrying amount for the asset at the reversal date had the impairment not taken place. Any excess to this amount is treated as a revaluation gain and recognised in the revaluation reserve.

Intangible assets

Intangible assets are recognised if it is probable that future benefits created by the asset will flow to the council.

Intangible assets are initially measured at cost. Any internally generated intangible assets (e.g. websites or bespoke computer programs) are recognised by the council if they meet the following criteria:

- Technical feasibility of completing the asset so that it is available for use or sale
- Intention to use the asset
- Ability to use or sell the asset
- The asset will generate future economic benefits or service potential
- Availability of resources to complete the asset
- Ability to measure reliably the expenditure attributable to developing the asset

After recognition intangible assets are carried at cost less accumulated amortisation and impairments.

Amortisation of intangible assets is carried out where a finite useful life is identified. Amortisation is based on what is determined to be a pattern that reflects the use of economic benefits. If this pattern is not determinable then the asset is amortised on a straight line basis.

Inventories

Stock is initially measured at the lower of net realisable value and cost, except where it involves a non-exchange transaction where the cost is measured as the fair value at the date of acquisition. The council values at the end of the year all stock at actual cost price where suitable. Where this is not possible then stock is measured on a first in first out (FIFO) or weighted average basis. The same valuation technique is used for similar items.

Any change in value of stock is recognised in the surplus or deficit on provision of services.

Investment properties

Investment properties are properties held by the council to solely earn rentals and/or capital appreciation. They are recognised only when it is probable that future economic benefits or service potential will flow to the council, and that the cost or fair value of the expenditure can be measured reliably.

Investment properties are initially measured at cost, except where acquired through a non-exchange transaction which measured at fair value. The measurement of cost for this purpose consists of, where appropriate:

- Purchase price
- Transaction costs
- Directly attributable expenditure

After recognition investment properties are measured at fair value. Any gain or loss from a change in fair value is recognised in the surplus or deficit on provision of services in which it arises.

Investment properties measured at fair value are not subject to depreciation.

When investment properties are disposed of or decommissioned the net gain or loss is taken to the surplus or deficit on provision of services.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership of a non-current asset to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The council as lessee

Finance leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the comprehensive income and expenditure statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The council as lessor

Finance leases

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. A gain, representing the

council's net investment in the lease, is credited to the same line in the comprehensive income and expenditure statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement)

The gain credited to the comprehensive income and expenditure statement on disposal is not permitted by statute to increase the general fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the general fund balance to the capital receipts reserve in the movement in reserves statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the deferred capital receipts in the movement in reserves statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

Operating leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the comprehensive income and expenditure statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Non-current assets held for sale

For a non-current asset to be recognised as held for sale it must meet the following criteria:

- The asset must be available for immediate sale in its current condition
- The sale must be highly probable
- The asset must be actively marketed at a price that is reasonable in relation to its current fair value
- The sale should be expected to be completed within the next 12 months and is unlikely to change

Non-current assets held for sale are measured at the lower of its carrying value or fair value less costs of sale. Immediately prior to classification as held for sale non-current assets are revalued to determine fair value less costs of sale. If this is lower than the carrying amount any impairment loss created will be recognised in line with the council's policy on impairments.

Non-current assets held for sale are not subject to depreciation.

Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Costs relating to the council's status as a multi-functional, democratic organisation – corporate and democratic core
- Cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties – non-distributed costs

PFI/PPP schemes

PFI/PPP contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI/PPP contractor.

Where a PFI/PPP arrangement meets the criteria laid out in section 4.3.2 of the Code and International Financial Reporting Interpretations Committee Note 12 (IFRIC12) – Service Concession Arrangements, the assets used to deliver the service are declared as property, plant and equipment on the council's balance sheet. Recognition of these assets occurs in line with our property, plant and equipment policy. In addition a corresponding liability is also recognised on the balance sheet.

Assets recognised for PFI/PPP schemes will be subject to the council's property, plant and equipment policy for depreciation and impairment policy.

Payments made under these arrangements are accounted for as finance leases being split into service and construction elements where possible, or into repayment of liability, interest and service charge. The construction element/repayment of liability will be paid straight to the liability shown on the balance sheet. Provision for the repayment of debt in the movement in reserves statement matches the repayment of liability.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the provision of goods/ services, or for administrative purposes, and are expected to be used for more than one year.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. This is provided that it is probable that future economic benefits or service potential will flow to the council, and that the cost or fair value of the expenditure can be measured reliably.

Any expenditure that does not meet this criteria i.e. it maintains the assets potential to deliver future economic benefits and service potential (day to day servicing/repairs and maintenance), is charged to revenue as it is incurred.

Where the council incurs capital spend on or revalues any property, plant and equipment this will be reviewed to determine whether there are any material components. An identifiable component within a main asset (e.g. a lift within a building) will be recognised separately and accounted for like any other piece of property, plant and equipment. The council will only review material components where the main asset has a gross book value of £1 million. Individual components will only be recognised where the value is greater than £150k or they represent a significant proportion of the main asset.

Measurement

Property, plant and equipment are initially measured at cost, except donated assets which are measured at fair value. The measurement of cost for this purpose consists of, where appropriate:

- Purchase price
- Directly attributable costs to bringing the asset into working condition for its intended use
- Initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located

Where it is a donated asset the measurement of the asset at fair value does not constitute a revaluation and is not recognised as such.

After recognition property, plant and equipment assets are carried on the balance sheet using the following measurement bases:

- Infrastructure – historical cost
- Community assets – historical cost
- Assets under construction – historical cost
- All other property, plant and equipment – fair value

Where no market-based evidence for fair value is available due to the specialist nature of the building and are rarely sold (i.e. schools) use has been made of depreciated replacement cost (DRC) to approximate fair value.

Assets carried at fair value are revalued when there have been material changes in the value or every five years whichever is sooner. Where the carrying value is increased, this increase is matched by credits to the revaluation reserve, unless this is reversing a previous impairment loss charged to the surplus or deficit on provision of services on the same asset. In this case an amount up to the value of the previous impairment loss is charged to the surplus or deficit on provision of service, with any remaining revaluation being matched by credits to the revaluation reserve.

Where the carrying value is decreased by revaluation, the decrease in value is recognised in the revaluation reserve up to the credit balance existing for that asset, with any remaining loss being charged to the surplus or deficit on provision on services.

Depreciation

Depreciation is applied to all property, plant and equipment assets with the exception of land where it is demonstrated that it has an unlimited useful life (excluding land subject to depletion i.e. car parks). Assets are not depreciated until they are available for use. Depreciation is calculated by allocating the value of the asset over its expected useful life.

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the life of the property as estimated by the valuer (usually 10 to 80 years)
- Car Parks – straight line allocation over the life of the property as estimated by the valuer (usually 40 to 50 years)
- Infrastructure – straight line allocation over 25 to 30 years
- Vehicles, plant and equipment – straight line allocation over the life of the property as estimated by the valuer (usually 5 to 10 years)

As community assets are assets that the council intends to hold in perpetuity, have no determinable useful life and may have restriction on their disposal no depreciation is charged.

Disposals

When property, plant and equipment assets are disposed of or decommissioned the net gain or loss is taken to the surplus or deficit on provision of services.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts (75%) relating to mortgages given to former tenants who purchased their properties under the right to buy scheme is payable to the Government. The balance of the receipts is credited to the capital

receipts reserve. Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

Provisions, contingent assets and liabilities

Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. They are recognised when:

- the council has a present obligation (legal or constructive) as a result of a past event
- it is probable that a transfer of economic benefits or service potential will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation

If these conditions are not met then no provision is made.

Recognition of the provision is made in the year that the council becomes aware of the obligation and is based on the best estimate of the likely settlement. This is charged to the surplus or deficit on provision of services for the relevant service.

Estimated settlements are reviewed at the end of each financial year. Where it becomes apparent that a transfer of economic benefit is not required (or a lower settlement than anticipated is made) the provision is reversed back to the surplus or deficit on provision of services for the relevant service.

When some or all of the payment required to settle a provision is expected to be met by another party (i.e. from an insurance claim), this is only recognised as income in the surplus or deficit on provision of services if it is virtually certain that reimbursement will be received if the obligation is settled.

<u>Provision for back pay arising from unequal pay claims</u>

The council has made a provision for settling the costs of equal pay (back pay) arising from claims prior to implementation of its equal pay strategy. Statutory arrangements allow settlements to be financed from the general fund in the year that payments actually take place, not when the provision is established. As a result this provision is balanced by an unequal pay back pay account created from amounts credited to the general fund balance in the year the provision was made or modified. The balance on the unequal pay back pay account will be debited back to the general fund balance in the movement in reserves statement in future financial years as payments are made.

<u>Landfill allowance schemes</u>

Landfill allowances, as allocated by Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another council, are recognised as current assets and initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost or net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or the payment of a cash penalty to DEFRA (or a combination of both). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances

where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an outflow of economic benefits or service potential.

Contingent assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The council sets aside specific amounts as reserves for future expected commitments or to cover contingencies. Reserves are created by appropriating amounts from the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred it is charged to the surplus or deficit on provision of services in that year. The reserve is then appropriated back into the movement in reserves statement so there is no charge against council tax for the expenditure.

Revenue expenditure funded from capital under statute

Capital expenditure incurred during the year but not resulting in the creation of a non-current asset for the council is classified as revenue expenditure funded from capital under statute. Expenditure that can be classified as this is defined within the Local Government Act 2003 and associated capital financing regulations. This includes: grants paid to other person (such as housing renovation grants and disabled facility grants) and bodies for capital expenditure purposes; and amounts (including provisions for back-pay under pay-reviews) that the Secretary of State has given direction should be capitalised.

The council writes out the entire expenditure to the comprehensive income and expenditure statement in the year it is incurred. To ensure that no impact is passed on to council taxpayers, this expenditure is then reversed out through the movement in reserves statement by a transfer to the capital adjustment account on the balance sheet.

Value Added Tax (VAT)

Where the council is able to recover VAT it is excluded from both income and expenditure. This is in accordance with proper accounting practices.

2. Adoption of International Financial Reporting Standards

The statement of accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the accumulated absences account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements.

Opening 2009/10 balance sheet – showing adjustments for absences

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Accruals	0.000	(6.828)
Accumulated absences account	0.000	6.828

31 March 2010 balance sheet – showing adjustments for absences

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Accruals	0.000	(6.529)
Accumulated absences account	0.000	6.529

2009/10 Comprehensive income and expenditure statement – showing adjustments for absences

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Cost of Services (Net)		
Adult Social Care	93.021	(0.073)
Central Services to the Public	3.997	0.051
Education	102.023	0.124
Corporate and democratic core	6.616	0.058
Court Services	0.272	(0.002)
Cultural, environmental, regulatory & planning services	60.660	(0.304)
Highways and transport	9.946	(0.165)
Housing	6.752	0.005
Financing and investment income and expenditure		
(Surplus) or deficit on trading undertakings not included in net cost of services	2.362	0.008

The net increase in surplus or deficit on the provision of services is removed by the transfer of accumulated absences accrual to the accumulated absences account. This transfer is shown in the movement in reserves statement and ensures no impact on the council's general fund balance.

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the general fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The council has five property leases where the accounting treatment has changed following the introduction of the Code, leases to Darlaston Community Association, and four shops with flats around the borough. The lease terms vary from 20 to 99 years. These leases were previously classified as an operating lease, but under the Code, the buildings element of the lease has been classified as a finance lease.

As a consequence of classifying the buildings element of the lease as a finance lease, the financial statements have been amended as follows:

- The council has derecognised the assets (the building) and where applicable a long term debtor and deferred capital receipt have been introduced.
- The operating lease income within cultural, environmental, regulatory and planning services has been reduced by the amount that relates to the buildings element of the lease payments.
- The depreciation charges for the buildings are no longer charged to cultural, environmental, regulatory and planning services.
- The deferred capital receipt is being written down over the life of the lease and being credited to the general fund. These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010.
- The interest element of the lease payment in respect of the buildings element is charged to the financing and investment income and expenditure line in surplus or deficit on the provision of services.

The council reviewed the leases and contracts at schools. The council identified a proportion where the accounting treatment has changed following the introduction of the Code. The arrangement terms vary from 2 and 7 years. These arrangements were previously accounted for as normal contract payments. However under the code they should be classed as finance leases.

The council has also reviewed its own contracts and lease. It has been determined that the current photocopier contract and a number of operating leases should be accounted for differently following the introduction of the code. The photocopier contract term is for a period of five years for each individual photocopier. The other leases vary in term. These arrangements were previously accounted for as normal contract payments. However under the code they should be classed as finance leases.

As a consequence of classifying these contracts as finance leases, the financial statements have been amended as follows:

- The council has recognised an asset (photocopier/ICT equipment/vehicles) and a finance lease liability.

- The contract charge within cultural, environmental and planning services, education and children's services, and adult social care has been reduced by the amount relating to these arrangements.
- A depreciation charge has been included within cultural, environmental and planning services, and education and children's services, and adult social care.
- The depreciation charge has been transferred from the general fund to the capital adjustment account and the general fund has been charged with the minimum revenue provision (with the credit being made to the capital adjustment account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the movement in reserves statement for the year.
- The interest element of the contract payment is charged to the financing and investment income and expenditure line in the surplus or deficit on the provision of services.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 2009/10 balance sheet – showing adjustments for leases

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Property, plant and equipment		
Operational land and buildings	605.752	(0.112)
Vehicles, plants and equipment	4.552	3.688
Long Term Debtor (Finance Leases)	0.000	0.095
Short term creditor	(50.180)	(1.137)
Finance lease liability	0.000	(2.869)
Capital adjustment account	(307.638)	0.393
Revaluation reserve	(113.828)	(0.038)
Deferred capital receipts	(1.824)	(0.095)

31 March 2010 balance sheet – showing adjustments for leases

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Property, plant and equipment		
Operational land and buildings	594.546	(0.108)
Vehicles, plants and equipment	4.965	4.368
Long Term Debtor (Finance Leases)	0.000	0.093
Short term creditor	(59.959)	(1.325)
Finance lease liability	(0.207)	(3.654)
Capital adjustment account	(230.932)	0.683
Revaluation reserve	(123.894)	(0.036)
Deferred capital receipts	(1.688)	(0.093)

2009/10 comprehensive income and expenditure statement – showing adjustments for leases

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Cost of Services (Net)		
Adult social care	93.021	0.009
Education & children's services	102.023	(0.175)
Cultural, environmental, regulatory & planning services	60.660	0.479
Financing and investment income and expenditure		
Interest payable and similar charges	13.085	(0.009)
Interest income	(2.684)	(0.011)

The net change to adult social care consists of the removal of the operating lease charge (-£0.009m) and the inclusion of the depreciation charge (+£0.018m).

The net change to education and children service's consists of the removal of the operating lease charge (-£0.513m) and the inclusion of the depreciation charge (+£0.338m).

The net change to cultural, environmental, regulatory and planning services consists of the removal of the operating lease income for the buildings element of the lease (+£0.013m), the removal of prior year adjustments for vehicle and equipment leases within the 2009/10 charges (+£0.424m), the removal of the operating lease charge for vehicles and equipment (-£1.330m) and the inclusion of the depreciation charge (+£1.372m).

The net increase in surplus or deficit on the provision of services is removed by the transfer of the depreciation charge to the capital adjustment account and the inclusion of the minimum revenue provision charge (-£0.354m). These transfers are shown in the movement in reserves statement.

Capital grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the government grants deferred account at 31 March 2009 has been transferred to the capital adjustment account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the comprehensive income and expenditure statement in the comparative figures.
- Grants were received in 2009/10 but not used. Previously, no income was recognised in respect of these grants, which were shown in the grants unapplied account within the liabilities section of the balance sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the capital grants unapplied account within the reserves section of the balance sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 2009/10 balance sheet – showing adjustments for capital grants

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Government grants deferred account	(42.607)	42.607
Capital grants unapplied account	(15.676)	(1.173)
Capital adjustment account	(307.638)	(41.434)

31 March 2010 balance sheet – showing adjustments for capital grants

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Government grants deferred account	(48.236)	48.236
Capital grants unapplied account	(23.119)	(1.023)
Capital adjustment account	(230.932)	(47.213)

2009/10 comprehensive income and expenditure statement – showing adjustments for capital grants

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Cost of Services (Net)		
Adult social care	93.021	0.295
Education & children's services	102.023	5.491
Cultural, environmental, regulatory & planning services	60.660	6.861
Highways & transport services	9.946	2.375
Housing services	6.752	0.013
Other operating expenditure		
Gains and losses on the disposal of fixed assets	12.258	0.634
Taxation and non-specific grant income		
All capital grants and contributions	0.000	(28.741)

There is no change to the general fund balance, as capital grant income is transferred out of the general fund under both the previous and the current accounting policies.

Revenue grants

Under the Code, revenue grants and contributions are recognised as income when they become receivable. Previously, unused grants were held as receipts in advance until required where they were then recognised as income.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- Portions of revenue grant were previously recognised as receipts in advance in 2008/09. The movement in creditors have been removed from the comprehensive income and expenditure statement and the balance sheet in the comparative figures.
- Grants were received in 2009/10 but not used. Previously, these grants were included as receipts in advance in short term creditors within the liabilities section of the balance sheet. Following the change in accounting policy the grants have been identified in full and transferred to earmarked reserves in the movement in reserves statement. The corresponding movement in short term debtors has been removed.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 2009/10 balance sheet – showing adjustments for revenue grants

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Short term creditors	(50.180)	3.817
Earmarked reserves	(48.624)	(3.817)

31 March 2010 balance sheet – showing adjustments for revenue grants

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Short term creditors	(59.959)	3.432
Earmarked reserves	(57.984)	(3.432)

2009/10 comprehensive income and expenditure statement – showing adjustments for revenue grants

	Published 2009/10 UK GAAP statements £m	Adjustments made £m
Cost of Services (Net)		
Adult social care	93.021	0.852
Cultural, environmental, regulatory & planning services	60.660	(0.467)

The net change to adult social care consists of the removal of reversal of prior year creditors (+£1.096m) and the removal of current year creditors (-£0.244m).

The net change to cultural, environmental, regulatory & planning services consists of the removal of reversal of prior year creditors (+£2.721m) and the removal of current year creditors (-£3.188m).

There is no change to the general fund balance, as the unused revenue grant income is transferred out of the general fund to earmarked reserves under the current accounting policies.

Non-current assets

Under the Code, accounting for non-current assets has changed. In particular the accounting policies for revaluations and recognition of investment properties have changed. Also a new category 'Assets held for sale' has been introduced.

To enable the IFRS adjustments to be completed it was identified that changes were required to the initial Statement of Recommended Practice (SORP) figures to facilitate the conversion process.

This was due to timing issues identified between capital expenditure on assets and revaluations. These adjustments have been completed and are shown within the UK GAAP amendment adjustment column in the following tables.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- Where a property has been revalued any revaluation gain is charged against accumulated revaluation losses previously charged to the comprehensive income and expenditure account. Revaluation losses are initially charged to the revaluation reserve and any remaining losses are then charged to the comprehensive income and expenditure account.
- Impairments are initially charged to the revaluation reserve and any remaining impairment is then charged to the comprehensive income and expenditure account.
- Any properties previously identified investment properties have been assessed against the new requirements. Any properties not meeting this new requirement have been moved to the property, plant and equipment (operational land and buildings, and surplus assets) category.
- Properties have been assessed to see whether they are to be sold within 12 months. These assets have been moved to the new assets held for sale (short term) category.

These changes have resulted in the following adjustments to the 2009/10 financial statements:

Opening 2009/10 balance sheet – showing adjustments for non current assets

	Published 2009/10 UK GAAP statements £m	Adjustments made £m	Revised UK GAAP statements £m	IFRS £m
Property, plant and equipment				
Operational land and buildings	605.752	(3.940)	601.812	5.297
Surplus assets	18.785	(0.023)	18.762	0.792
Investment property	8.102	0.030	8.132	(6.088)
Assets held for sale (short term)	0.000	0.000	0.000	0.100
Revaluation reserve	(113.828)	(0.663)	(114.491)	1.132
Capital adjustment account	(307.638)	4.596	(303.042)	(1.233)

31 March 2010 balance sheet – showing adjustments for non current assets

	Published 2009/10 UK GAAP statements £m	Adjustments made £m	Revised UK GAAP statements £m	IFRS £m
Property, plant and equipment				
Operational land and buildings	594.546	(5.214)	589.332	6.315
Surplus assets	18.057	(0.136)	17.921	0.819
Investment property	8.913	0.022	8.935	(7.222)
Assets held for sale (short term)	0.000	0.000	0.000	0.050
Revaluation reserve	(123.894)	(0.094)	(123.988)	4.106
Capital adjustment account	(230.932)	5.422	(225.510)	(4.068)

2009/10 comprehensive income and expenditure statement – showing adjustments for non current assets

	Published 2009/10 UK GAAP statements £m	Adjustments made £m	Revised UK GAAP statements £m	IFRS £m
Cost of Services (Net)				
Adult social care	93.021	0.000	93.021	(0.204)
Education & children's services	102.023	(0.742)	101.281	(0.662)
Cultural, environmental, regulatory & planning services	60.660	(0.043)	60.617	(0.722)
Other operating expenditure				
Gains and losses on the disposal of fixed assets	12.258	0.007	12.265	0.000
(Surplus) or deficit arising on revaluation of non-current assets	(11.613)	1.994	(9.619)	1.908

The net increase in surplus or deficit on the provision of services is removed by the transfer of the depreciation charge, impairment losses and revaluation losses/gains to the capital adjustment account. These transfers are shown in the movement in reserves statement.

3. Accounting Standards that have been issued but have not yet been adopted

Heritage assets: impact of the adoption of the new standard on the 2011/12 financial statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the council, which will need to be adopted fully by the council in the 2011/12 financial statements.

The council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the council’s balance sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the council principally for their contribution to knowledge or culture. The heritage assets held by the council are the collections of assets and artefacts either exhibited or stored in the council’s museums and art gallery. The principal collections of heritage assets held by the council include:

- The Garman Ryan collection
- The Epstein Archive
- The New Art Gallery permanent collection
- The Walsall Museum permanent collection
- The Local History Centre collection
- The Leather Museum permanent collection and
- Civic regalia

The Garman Ryan, Walsall and Leather museums collections and civic regalia are currently accounted for at depreciated historical cost (see property, plant and equipment in the council's summary of significant accounting policies in Note 1 of the financial statements page 29) and classified as community assets within property, plant and equipment in the balance sheet. The remainder of the collection is not currently recognised in the financial statements as no information had been available on the cost of the assets (these assets are held in the asset register of the council and detailed records are kept on each asset by the curators of each museum).

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the council is able to recognise more of its collections of heritage assets in the balance sheet. The council anticipates that it will be able to recognise its permanent collections on the balance sheet using as its base the detailed insurance valuations (which are based on market values) held by the council in respect of the collection.

The carrying value of heritage assets currently held in the balance sheet as community assets (at cost) within property, plant and equipment at 1 April 2010 is £13.981 million (see Note 13). It is estimated therefore that the total value of heritage assets to be recognised in the balance sheet at 1 April 2010 (under the requirements of the 2011/12 Code) will be £17.127 million. This will result in a total revaluation gain recognised in the revaluation reserve of £3.146 million.

The council considers that the heritage assets held will have indeterminate lives and a high residual value; hence the council does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to these assets.

The movements of heritage assets in the 2010/11 financial year are set out in the table below.

	£m
Heritage Assets (previously classified as community assets in property plant and equipment) at valuation as at 1 April 2010	13.981
Carrying Value as at 31 March 2011	**13.981**

4. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.
The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.

5. Assumptions made about the future and other major sources of estimation uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the council's balance sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Provisions	The council has made a provision of £20.344 million for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or at what level these may or may not be settled.	An increase/decrease over the forthcoming year of 10% of the estimated average settlement would have the effect of increasing or decreasing by £2.034m the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase or decrease in the discount rate assumption would result in a decrease or increase in the pension liability of £14.013 million respectively. However, the assumptions interact in complex ways. During 2010/11, the council's actuaries carried out a full actuarial valuation. The calculation for 2010/11 used the full valuation assumptions so resulting in no measured differences due to assumptions.
Arrears	At 31 March 2011, the council had a sundry debtor balance of £7.590m. A review of significant balances suggested that a net impairment of doubtful debts of 20.93% (£1.629m) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.	If collection rates were to deteriorate, doubling or halving the collection rate for the impairment of doubtful debts would increase or decrease by £0.712m the amount to set aside as an allowance respectively.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

6. Material items of income and expense

14 foundation and voluntary aided schools and 4 foundation trust schools are no longer recognised on balance sheet and 1 further school has gained academy status this year. This resulted in de-recognition costs being shown as a loss on disposal of fixed assets within other operating expenditure on the CIES of £182.944m million.

The status of voluntary controlled schools has also been reviewed resulting in 9 schools now being recognised on the balance sheet. This has resulted in an additional £9.237 million of assets being recognised.

Walsall council has previously made a provision for costs associated with unequal back pay and its associated costs. This provision was taken out in accordance with Financial Reporting Standard 12 - Provisions, Contingent Liabilities and Contingent Assets. This provision is also included in 2010/11 costs and is treated under International Financial Reporting Standards. The review of that provision has seen a credit to net costs of services of £20.582 million in 2010/11. The council did have an Unequal Pay Back Pay Account in 2009/10 of £0.489 million. In 2010/11 there is no reserve. The provision for 2010/11 is £20.344 million. This provision is in line with International Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets.

7. Events after the balance sheet date

The statement of accounts will authorised for issue by the Chief Finance Officer by the 30 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are a number of non adjusting post balance sheet events for Academy schools detailed in the explanatory foreword on page 8.

8. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

2010/11 Actuals

	Movement in General Fund Balance £m	Movement in Earmarked Reserves £m	Movement in Capital Grants Unapplied Account £m	Movement in Capital Receipts Reserve £m	Movement in Unusable Reserves £m
Adjustments primarily involving the Capital Adjustment Account (Note 25)					
Charges for depreciation and impairment of non-current assets	(30.941)	0.000	0.000	0.000	30.941
Revaluation losses on Property, Plant and Equipment	(46.305)	0.000	0.000	0.000	46.305
Movements in the market value of Investment Properties	0.125	0.000	0.000	0.000	(0.125)
Amortisation and impairment of intangible assets	(0.689)	0.000	0.000	0.000	0.689
Capital grants and contributions applied	15.145	0.000	0.000	0.000	(15.145)
Revenue expenditure funded from capital under statute	17.627	0.000	0.000	0.000	(17.627)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(184.618)	0.000	0.000	0.000	184.618
Statutory provision for the financing of capital investment	14.269	0.000	0.000	0.000	(14.269)
Capital expenditure charged against the General Fund	0.163	0.000	0.000	0.000	(0.163)
	(215.224)	**0.000**	**0.000**	**0.000**	**215.224**
Adjustments primarily involving the Capital Grants Unapplied Account (Note 24)					
Capital grants and contributions unapplied credited to the CIES	23.155	0.000	(23.155)	0.000	0.000
Application of grants to capital financing transferred to the Capital Adjustment Account	0.000	0.000	17.235	0.000	(17.235)
	23.155	**0.000**	**(5.920)**	**0.000**	**(17.235)**
Adjustments primarily involving the Capital Receipts Reserve (Note 24)					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1.665	0.000	0.000	(1.584)	(0.081)
Use of the Capital Receipts Reserve to finance new capital expenditure	0.000	0.000	0.000	2.095	(2.095)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0.000	0.000	0.000	0.000	0.000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(0.029)	0.000	0.000	0.029	0.000
- Reclassification of grants unapplied as capital receipts after review	0.000	0.000	0.334	(0.334)	0.000
Transfer from Deferred Capital Receipts upon receipt of cash	0.000	0.000	0.000	(0.102)	0.102
	1.636	**0.000**	**0.334**	**0.104**	**(2.074)**
Subtotal c/f	**(190.433)**	**0.000**	**(5.586)**	**0.104**	**195.915**

	Movement in General Fund Balance £m	Movement in Earmarked Reserves £m	Movement in Capital Grants Unapplied Account £m	Movement in Capital Receipts Reserve £m	Movement in Unusable Reserves £m
Subtotal b/f	**(190.433)**	**0.000**	**(5.586)**	**0.104**	**195.915**
Adjustments primarily involving the Financial Instruments Adjustment Account (Note 25)					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.045)	0.000	0.000	0.000	0.045
Adjustments primarily involving the Pensions Reserve (Note 25)					
Reversal of items in relation to retirement benefits debited/(credited) to the CIES	14.093	0.000	0.000	0.000	(14.093)
Employer's pensions contributions and direct payments to pensioners payable in the year	22.994	0.000	0.000	0.000	(22.994)
Adjustments primarily involving the Collection Fund Adjustment Account (Note 25)					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	0.069	0.000	0.000	0.000	(0.069)
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account (Note 25)					
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0.489	0.000	0.000	0.000	(0.489)
Adjustment primarily involving the Accumulated Absences Account (Note 25)					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable with statutory requirements	(0.175)	0.000	0.000	0.000	0.175
Total adjustments	**(153.008)**	**0.000**	**(5.586)**	**0.104**	**158.490**

2009/10 Comparatives

	Movement in General Fund Balance £m	Movement in Earmarked Reserves £m	Movement in Capital Grants Unapplied Account £m	Movement in Capital Receipts Reserve £m	Movement in Unusable Reserves £m
Adjustments primarily involving the Capital Adjustment Account (Note 25)					
Charges for depreciation and impairment of non-current assets	(34.817)	0.000	0.000	0.000	34.817
Revaluation losses on Property, Plant and Equipment	(12.253)	0.000	0.000	0.000	12.253
Movements in the market value of Investment Properties	0.039	0.000	0.000	0.000	(0.039)
Amortisation and impairment of intangible assets	(0.136)	0.000	0.000	0.000	0.136
Capital grants and contributions applied	10.275	0.000	0.000	0.000	(10.275)
Revenue expenditure funded from capital under statute	(53.315)	0.000	0.000	0.000	53.315
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(10.196)	0.000	0.000	0.000	10.196
Statutory provision for the financing of capital investment	13.347	0.000	0.000	0.000	(13.347)
Capital expenditure charged against the General Fund	0.147	0.000	0.000	0.000	(0.147)
	(86.909)	**0.000**	**0.000**	**0.000**	**86.909**
Adjustments primarily involving the Capital Grants Unapplied Account (Note 24)					
Capital grants and contributions unapplied credited to the CIES	18.464	0.000	(18.464)	0.000	0.000
Application of grants to capital financing transferred to the Capital Adjustment Account	0.000	0.000	11.173	0.000	(11.173)
	18.464	**0.000**	**(7.291)**	**0.000**	**(11.173)**
Adjustments primarily involving the Capital Receipts Reserve (Note 24)					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1.751	0.000	0.000	(1.751)	0.000
Use of the Capital Receipts Reserve to finance new capital expenditure	0.000	0.000	0.000	5.795	(5.795)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0.000	0.000	0.000	0.000	0.000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(0.047)	0.000	0.000	0.047	0.000
- Reclassification of grants unapplied as capital receipts after review	0.000	0.000	0.000	0.000	0.000
Transfer from Deferred Capital Receipts upon receipt of cash	0.000	0.000	0.000	(0.136)	0.136
	1.704	**0.000**	**0.000**	**3.955**	**(5.659)**
Subtotal c/f	**(66.741)**	**0.000**	**(7.291)**	**3.955**	**70.077**

	Movement in General Fund Balance £m	Movement in Earmarked Reserves £m	Movement in Capital Grants Unapplied Account £m	Movement in Capital Receipts Reserve £m	Movement in Unusable Reserves £m
Subtotal b/f	**(66.741)**	**0.000**	**(7.291)**	**3.955**	**70.077**
Adjustments primarily involving the Financial Instruments Adjustment Account (Note 25)					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.689)	0.000	0.000	0.000	0.689
Adjustments primarily involving the Pensions Reserve (Note 25)					
Reversal of items in relation to retirement benefits debited/(credited) to the CIES	(34.804)	0.000	0.000	0.000	34.804
Employer's pensions contributions and direct payments to pensioners payable in the year	22.163	0.000	0.000	0.000	(22.163)
Adjustments primarily involving the Collection Fund Adjustment Account (Note 25)					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(0.666)	0.000	0.000	0.000	0.666
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account (Note 25)					
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(0.489)	0.000	0.000	0.000	0.489
Adjustment primarily involving the Accumulated Absences Account (Note 25)					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable with statutory requirements	0.299	0.000	0.000	0.000	(0.299)
Total adjustments	**(80.927)**	**0.000**	**(7.291)**	**3.955**	**84.263**

9. Earmarked reserves

This note sets out the amounts set aside from the general fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet general fund expenditure in 2010/11.

	Balance as at 31/03/2009 £m	Transfers in 2009/10 £m	Transfers out 2009/10 £m	Balance as at 31/03/2010 £m	Transfers in 2010/11 £m	Transfers out 2010/11 £m	Balance as at 31/03/2011 £m
Nursery Schools	(0.431)	(0.393)	0.431	**(0.393)**	(0.247)	0.393	**(0.247)**
Primary schools	(5.710)	(4.865)	5.710	**(4.865)**	(3.880)	4.865	**(3.880)**
Secondary schools	(2.136)	(1.259)	2.136	**(1.259)**	(3.180)	1.259	**(3.180)**
Special Schools	(2.316)	(1.120)	2.316	**(1.120)**	(0.909)	1.120	**(0.909)**
Foundation schools	(2.164)	(1.866)	2.164	**(1.866)**	(2.919)	1.866	**(2.919)**
School balances	**(12.757)**	**(9.503)**	**12.757**	**(9.503)**	**(11.135)**	**9.503**	**(11.135)**
Accounting changes relating to grant funding receipts in advance under IFRS	(3.817)	(3.432)	3.817	**(3.432)**	(7.338)	3.432	**(7.338)**
Borrowing re-scheduling	(3.529)	0.000	0.000	**(3.529)**	(0.828)	0.000	**(4.357)**
Building schools for the future	(0.143)	(0.500)	0.143	**(0.500)**	0.000	0.500	**0.000**
Carbon management reduction programme	0.000	(0.564)	0.000	**(0.564)**	0.000	0.000	**(0.564)**
Environmental Warranties	(0.500)	(0.100)	0.000	**(0.600)**	(0.100)	0.000	**(0.700)**
Equal pay capitalisation borrowing costs	0.000	0.000	0.000	**0.000**	(5.626)	0.000	**(5.626)**
External legal costs - pay & grading	0.000	(1.500)	0.000	**(1.500)**	(0.790)	1.236	**(1.054)**
Health & Safety	(1.081)	0.000	0.000	**(1.081)**	0.000	1.081	**0.000**
Insurance fund	(0.779)	0.000	0.000	**(0.779)**	(0.253)	0.000	**(1.032)**
LABGI	(0.662)	0.000	0.249	**(0.413)**	0.000	0.054	**(0.359)**
Mediation	(0.750)	(0.750)	0.641	**(0.859)**	0.000	0.000	**(0.859)**
Pensions / ABS	(1.000)	0.000	0.000	**(1.000)**	0.000	0.000	**(1.000)**
Private finance initiative	(8.946)	(1.050)	0.000	**(9.996)**	(1.585)	0.000	**(11.581)**
Public private partnership	(0.244)	(0.583)	0.000	**(0.827)**	0.000	0.200	**(0.627)**
Smarter workplaces	0.000	0.000	0.000	**0.000**	(0.887)	0.000	**(0.887)**
Supporting people	0.000	(0.774)	0.000	**(0.774)**	0.000	0.060	**(0.714)**
Transactional employment & pension costs	(8.481)	(7.155)	0.005	**(15.631)**	(4.576)	0.634	**(19.573)**
Walsall Adult Community College	(1.166)	(0.306)	0.000	**(1.472)**	(1.940)	1.472	**(1.940)**
Workforce planning	(2.530)	(0.193)	2.097	**(0.626)**	(3.008)	1.950	**(1.684)**
Worklessness agenda	(2.149)	(2.483)	0.000	**(4.632)**	0.000	0.265	**(4.367)**
Other earmarked reserves	(3.908)	(2.138)	2.349	**(3.697)**	(2.996)	1.703	**(4.990)**
Earmarked general fund balances	**(39.685)**	**(21.528)**	**9.301**	**(51.912)**	**(29.927)**	**12.587**	**(69.252)**
Total	**(52.442)**	**(31.031)**	**22.058**	**(61.415)**	**(41.062)**	**22.090**	**(80.387)**

10. Other operating expenditure

The following table provides further information for other operating expenditure shown in the CIES on page 26.

2009/10 £m		2010/11 £m
13.670	Levies	13.798
0.047	Payments to the capital housing receipts pool	0.029
8.445	(Gains) and losses on the disposal of fixed assets	182.953
22.162	**Total**	**196.780**

11. Financing and investment income and expenditure

The following table provides further information for financing and investment income and expenditure shown in the CIES on page 26.

2009/10 £m		2010/11 £m
13.076	Interest payable and similar charges (Note 16)	14.379
44.371	Pension interest cost (Note 45)	48.372
(23.554)	Expected return on pension assets (Note 45)	(32.262)
(2.598)	Interest income (Note 16)	(3.251)
(0.102)	Income, expenditure, depreciation and impairment of investment properties (Note 14)	(0.097)
2.362	(Surplus) or deficit on trading undertakings not included in net cost of services (Note 30)	1.638
(0.097)	Other investment income (Note 16)	(0.096)
33.458	**Total**	**28.683**

12. Taxation and non specific grant incomes

The following table provides further information for taxation on non specific grant incomes shown in the CIES on page 26.

2009/10 £m		2010/11 £m
(103.233)	Council tax income	(108.323)
(108.297)	NNDR distribution	(119.841)
(28.741)	All capital grants and contributions (Note 37)	(38.299)
(47.350)	Non-ringfenced government grants (Note 37)	(43.387)
(287.621)	**Total**	**(309.850)**

13. Property plant and equipment

Movement on balances

Movements in the council's property, plant and equipment values are shown in the following tables.

2010/11 actuals

	Operational land and buildings £m	Vehicles, plant and equipment £m	Infrastructure £m	Community assets £m	Assets under construction £m	Surplus assets £m	Total £m	PFI assets included in infrastructure £m
Cost								
As at 31 March 2010	628.685	20.140	147.413	14.775	7.268	19.750	**838.031**	18.096
Additions	15.954	2.810	9.961	0.749	6.540	0.321	**36.335**	0.000
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(12.323)	0.000	0.000	0.000	0.000	(2.892)	**(15.215)**	0.000
Revaluation increases/ (decreases) recognised in the Surplus/ (deficit) on the provision of services	(43.690)	0.000	0.000	0.000	0.000	(2.318)	**(46.008)**	0.000
Derecognition - disposals	0.000	(0.044)	0.000	0.000	0.000	0.000	**(0.044)**	0.000
Derecognition - other	(189.941)	0.000	0.000	0.000	0.000	(0.111)	**(190.052)**	0.000
Assets reclassified (to)/ from Held for Sale	(0.812)	0.000	0.000	0.000	0.000	(1.130)	**(1.942)**	0.000
Other movements in cost of valuation	(6.864)	0.001	0.001	0.000	0.000	6.864	**0.002**	0.000
Total cost movements in 2010/11	**(237.676)**	**2.767**	**9.962**	**0.749**	**6.540**	**0.734**	**(216.924)**	**0.000**
As at 31 March 2011	**391.009**	**22.907**	**157.375**	**15.524**	**13.808**	**20.484**	**621.107**	**18.096**

	Operational land and buildings £m	Vehicles, plant and equipment £m	Infrastructure £m	Community assets £m	Assets under construction £m	Surplus assets £m	Total £m	PFI assets included in infrastructure £m
Cost as at 31 March 2011	**391.009**	**22.907**	**157.375**	**15.524**	**13.808**	**20.484**	**621.107**	**18.096**
Depreciation and impairment								
As at 31 March 2010	(33.146)	(10.808)	(76.831)	(0.794)	0.000	(1.008)	**(122.587)**	(4.650)
Depreciation charge for the year	(8.532)	(4.234)	(4.615)	0.000	0.000	(0.087)	**(17.468)**	(0.603)
Depreciation written out to the Revaluation Reserve	8.756	0.000	0.000	0.000	0.000	0.238	**8.994**	0.000
Depreciation written out to the Surplus/(Deficit) on the provision of services	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**	0.000
Impairment losses / (reversals) recognised in the Revaluation Reserve	6.305	0.000	0.000	0.000	0.000	0.000	**6.305**	0.000
Impairment losses / (reversals) recognised in the Surplus / (deficit) on the provision of services	(2.349)	(0.144)	(9.961)	(0.749)	0.000	(0.254)	**(13.457)**	0.000
Derecognition - disposals	0.000	0.034	0.000	0.000	0.000	0.000	**0.034**	0.000
Derecognition - other	6.364	0.000	0.000	0.000	0.000	0.005	**6.369**	0.000
Other movements	0.227	0.000	0.000	0.000	0.000	(0.117)	**0.110**	0.000
Total depreciation/impairment movements in 2010/11	**10.771**	**(4.344)**	**(14.576)**	**(0.749)**	**0.000**	**(0.215)**	**(9.113)**	**(0.603)**
As at 31 March 2011	**(22.375)**	**(15.152)**	**(91.407)**	**(1.543)**	**0.000**	**(1.223)**	**(131.700)**	**(5.253)**
Net book value at 31 March 2011	**368.634**	**7.755**	**65.968**	**13.981**	**13.808**	**19.261**	**489.407**	**12.843**

Comparative movements 2009/10

	Operational land and buildings £m	Vehicles, plant and equipment £m	Infrastructure £m	Community assets £m	Assets under construction £m	Surplus assets £m	Total £m	PFI assets included in infrastructure £m
Cost								
As at 31 March 2009	630.009	16.798	137.788	13.951	5.713	20.222	**824.481**	18.096
Additions	17.519	6.092	9.625	0.793	1.555	0.517	**36.101**	0.000
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	4.159	0.000	0.000	0.000	0.000	0.499	**4.658**	0.000
Revaluation increases/ (decreases) recognised in the Surplus/ (deficit) on the provision of services	(12.253)	0.000	0.000	0.000	0.000	0.000	**(12.253)**	0.000
Derecognition - disposals	0.000	(2.750)	0.000	0.000	0.000	0.000	**(2.750)**	0.000
Derecognition - other	(10.321)	0.000	0.000	0.000	0.000	(3.589)	**(13.910)**	0.000
Assets reclassified (to)/ from Held for Sale	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**	0.000
Other movements in cost of valuation	(0.428)	0.000	0.000	0.031	0.000	2.101	**1.704**	0.000
Total cost movements in 2009/10	**(1.324)**	**3.342**	**9.625**	**0.824**	**1.555**	**(0.472)**	**13.550**	**0.000**
As at 31 March 2010	**628.685**	**20.140**	**147.413**	**14.775**	**7.268**	**19.750**	**838.031**	**18.096**

	Operational land and buildings £m	Vehicles, plant and equipment £m	Infrastructure £m	Community assets £m	Assets under construction £m	Surplus assets £m	Total £m	PFI assets included in infrastructure £m
Cost as at 31 March 2010	**628.685**	**20.140**	**147.413**	**14.775**	**7.268**	**19.750**	**838.031**	**18.096**
Depreciation and impairment								
As at 31 March 2009	(23.011)	(8.558)	(62.591)	0.000	0.000	(0.669)	**(94.829)**	(4.047)
Depreciation charge for the year	(10.072)	(4.043)	(4.615)	0.000	0.000	(0.110)	**(18.840)**	(0.603)
Depreciation written out to the Revaluation Reserve	2.096	0.000	0.000	0.000	0.000	0.000	**2.096**	0.000
Depreciation written out to the Surplus/(Deficit) on the provision of services	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**	0.000
Impairment losses / (reversals) recognised in the Revaluation Reserve	(0.445)	(0.298)	0.000	(0.794)	0.000	(0.022)	**(1.559)**	0.000
Impairment losses / (reversals) recognised in the Surplus/ (deficit) on the provision of services	(6.111)	0.000	(9.625)	0.000	0.000	(0.233)	**(15.969)**	0.000
Derecognition - disposals	0.000	2.091	0.000	0.000	0.000	0.000	**2.091**	0.000
Derecognition - other	4.397	0.000	0.000	0.000	0.000	0.026	**4.423**	0.000
Other movements	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**	
Total depreciation/impairment movements in 2009/10	**(10.135)**	**(2.250)**	**(14.240)**	**(0.794)**	**0.000**	**(0.339)**	**(27.758)**	**(0.603)**
As at 31 March 2010	**(33.146)**	**(10.808)**	**(76.831)**	**(0.794)**	**0.000**	**(1.008)**	**(122.587)**	**(4.650)**
Net book value at 31 March 2010	**595.539**	**9.332**	**70.582**	**13.981**	**7.268**	**18.742**	**715.444**	**13.446**
Net Book Value at 31 March 2009	**606.998**	**8.240**	**75.197**	**13.951**	**5.713**	**19.553**	**729.652**	**14.049**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Land (car parks) & Buildings – 10-80 years
Vehicles, Plant & Equipment – 5-10 years
Infrastructure – 25-30 years

Capital Commitments

At 31 March 2011, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2011/12 and future years which are budgeted to

cost £69.174m. Similar commitments at 31 March 2010 were £17.473m. The major commitments are shown in the following table:

Projects	Council funded	Externally funded	Total 2010/11
	£m	£m	£m
Academies	0.000	40.778	40.778
Investment in school buildings	3.124	4.998	8.122
Primary schools capital programme	0.000	3.846	3.846
Pelsall library, childrens centre and health centre	0.390	3.400	3.790
Barcroft school	2.896	0.225	3.121
Highways maintenance and improvements	2.019	0.600	2.619
Environmental regeneration schemes	0.682	0.343	1.025
Depot relocation	1.000	0.000	1.000
Aids and adaptations	0.661	0.175	0.836
Finance Direct/Oracle	0.720	0.000	0.720
Other	1.242	0.398	1.640
Barr Beacon language college	0.000	0.574	0.574
Investment in council assets	0.562	0.000	0.562
Walsall arboretum restoration project	0.000	0.541	0.541
	13.296	**55.878**	**69.174**

Revaluations

The council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. The effective date of the revaluations carried out in 2010/11 was 31 March 2011. These valuations were carried out in house by the council's Estates and Property Manager, S D Law MRICS.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Land and Buildings, Equipment and Surplus assets has been valued on an existing use value basis except where the assets are specialised
- Specialised assets have been valued on the depreciated replacement cost method using modern equivalent asset basis
- The values used for the depreciated replacement cost calculation were from the Building Cost Information Service (BCIS) Quarterly Review of Building Prices – 1st quarter 2011
- Assets under construction have been valued on a cost basis
- Infrastructure and community assets have been valued on a depreciated historic cost basis.

14. Investment properties

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

2009/10 £m		2010/11 £m
(0.107)	Rental income from investment properties	(0.107)
0.004	Direct operating expenses from investment properties generating rental income in period	0.009
0.001	Direct operating expenses from investment properties not generating income in period	0.001
(0.102)	**Net (gain)/loss**	**(0.097)**

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2009/10 £m		2010/11 £m
2.044	Balance at start of the year	1.752
	Additions	
0.000	Purchases	0.000
0.157	Subsequent capital expenditure	0.002
1.621	Other	0.081
(0.020)	Disposals	(0.010)
0.039	Net gains/(losses) from fair value adjustments	0.125
	Transfers	
(1.843)	(to)/from property, plant and equipment	0.000
0.000	(to)/from inventories	0.000
(0.246)	Other changes	(0.002)
(0.292)	**Total movements in year**	**0.196**
1.752	**Balance at end of the year**	**1.948**

15. Intangible assets

The council accounts for its software licences as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include purchased software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful lives assigned to the major software suites used by the council are:

	Internally generated software	Other assets
3 years	None	None
5 years	None	Licences
10 years	None	None

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.191m charged to revenue in 2010/11 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the net cost of services.

The movement on intangible asset balances during the year is as follows:

2009/10 £m		2010/11 £m
	Cost	
	Balance at start of year	
0.654	- Gross carrying amounts	0.728
(0.253)	- accumulated amortisation	(0.389)
	Additions	
0.074	- purchase	0.872
0.000	- internally generated	0.000
0.000	Assets reclassified as held for sale	0.000
0.000	Other disposals	0.000
0.000	Revaluation increases/ (decreases)	0.000
0.000	Impairment losses recognised or reversed directly to the revaluation reserve	0.000
0.000	Impairment losses recognised in the surplus/deficit on the provision of services	(0.498)
0.000	Reversals of past impairment losses written back to the surplus/deficit on the provision of services	0.000
(0.136)	Amortisation for the year	(0.191)
0.000	Other movements	0.000
(0.062)	**Total movements in the year**	**0.183**
0.339	**Net carrying amount at end of the year**	**0.522**
	Comprising:	
0.728	- Gross carrying amounts	1.102
(0.389)	- accumulated amortisation	(0.580)
0.339	**Net book value at 31 March**	**0.522**

A breakdown of the remaining useful life for the capitalised software is in the following table.

	Carrying amount 31 March 2011 £m	 31 March 2010 £m	Remaining Amortisation Period
Software licences	0.000	0.011	0 years
Software licences	0.000	0.000	1 years
Software licences	0.178	0.269	2 years
Software licences	0.043	0.057	3 years
Software licences	0.299	0.000	4 years
Software licences	0.000	0.000	5 years
Data base licences	0.002	0.002	3 years

16. Financial Instruments

Categories of financial instruments

The following categories of financial instrument are carried in the balance sheet:

2008/09 Long term £m	2008/09 Current £m	2009/10 Long term £m	2009/10 Current £m		2010/11 Long term £m	2010/11 Current £m
				Investments		
25.000	51.484	12.000	86.403	Loans and receivables	10.000	146.635
6.705	0.000	17.493	0.000	Available for sale financial assets	17.493	0.000
31.705	**51.484**	**29.493**	**86.403**	**Total investments**	**27.493**	**146.635**
				Debtors		
10.687	0.000	10.335	0.000	Loans and Receivables	9.982	0.000
0.000	52.435	0.000	53.766	Financial assets carried at contract amounts	0.000	50.844
10.687	**52.435**	**10.335**	**53.766**	**Total debtors**	**9.982**	**50.844**
				Borrowings		
(262.730)	(0.181)	(262.077)	(0.182)	Financial liabilities at amortised cost	(281.364)	(0.166)
(262.730)	**(0.181)**	**(262.077)**	**(0.182)**	**Total borrowings**	**(281.364)**	**(0.166)**
				Other long term liabilities		
(10.919)	(0.754)	(10.385)	(0.534)	PFI and finance lease liabilities	(7.475)	(2.140)
(10.919)	**(0.754)**	**(10.385)**	**(0.534)**	**Total other long term liabilities**	**(7.475)**	**(2.140)**
				Creditors		
0.000	0.000	0.000	0.000	Financial liabilities carried at amortised cost	0.000	0.000
0.000	(47.501)	0.000	(57.855)	Financial liabilities carried at contract cost	0.000	(57.098)
0.000	**(47.501)**	**0.000**	**(57.855)**	**Total creditors**	**0.000**	**(57.098)**

The loans and receivable investments consist of the investments with commercial banks. Of the short term investments £110.925m consist of maturity investments and £35.710m are classed as cash equivalents (see note 19 pg 72).

The available for sale assets consists of the council's share holding in Birmingham Airport Holdings (BAH). The seven West Midlands local authorities own 49% of BAH's 320 million ordinary shares of £0.01 each. The council owns 4.88% (£15.983m) of these shares. The other shareholders are Airport Group Investments (48.35%) and an employee share trust (2.75%). In addition the seven West Midlands authorities own all £15.429m of BAH's 6.31% preference share, of which Walsall Council owns £1.535m. These are cumulative and irredeemable.

The borrowing financial liabilities at amortised cost consist of PWLB and commercial bank loans taken by the council. Further details can be found on page 69.

Income, expense, gains and losses

2009/10					2010/11			
Financial liabilities: measured at amortised cost	**Financial assets: loans and receivables**	**Financial assets: available-for-sale assets**	**Total**		**Financial liabilities: measured at amortised cost**	**Financial assets: loans and receivables**	**Financial assets: available-for-sale assets**	**Total**
(12.670)	0.000	0.000	(12.670)	Interest expense	(13.900)	0.000	0.000	(13.900)
0.000	0.000	0.000	0.000	Fee expense	0.000	0.000	0.000	0.000
(12.670)	**0.000**	**0.000**	**(12.670)**	**Total expense in surplus/deficit on the provision of services**	**(13.900)**	**0.000**	**0.000**	**(13.900)**
0.000	2.587	0.097	2.684	Interest income	0.000	3.240	0.097	3.337
0.000	0.000	0.000	0.000	Fee income	0.000	0.000	0.000	0.000
0.000	**2.587**	**0.097**	**2.684**	**Total income in surplus/deficit on the provision of services**	**0.000**	**3.240**	**0.097**	**3.337**
0.000	0.000	10.788	10.788	Gains on revaluation	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	Losses on revaluation	0.000	0.000	0.000	0.000
0.000	**0.000**	**10.788**	**10.788**	**Surplus/ (deficit) arising on revaluation of financial assets in other comprehensive income and expenditure**	**0.000**	**0.000**	**0.000**	**0.000**
(12.670)	**2.587**	**10.885**	**0.802**	**Net gain/ (loss) in year**	**(13.900)**	**3.240**	**0.097**	**(10.563)**

Fair value of assets and liabilities

Financial liabilities and assets represented by loans and receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2011 of 2.80% to 5.27% for loans from the PWLB and 0.75% to 6.43% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

2008/09 Carrying Amount	2008/09 Fair Value	2009/10 Carrying Amount	2009/10 Fair Value		2010/11 Carrying Amount	2010/11 Fair Value
£m	£m	£m	£m		£m	£m
(113.324)	(123.870)	(113.367)	(120.008)	PWLB loans	(133.881)	(129.945)
(27.254)	(34.046)	(26.582)	(30.746)	Other local authority debt	(25.483)	(28.654)
(0.152)	(0.152)	(0.128)	(0.128)	Individuals	(0.166)	(0.116)
(122.181)	(133.910)	(122.182)	(150.252)	Private sector loans	(122.000)	(145.472)
0.000	0.000	0.000	0.000	Long term creditors	0.000	0.000
(262.911)	**(291.978)**	**(262.259)**	**(301.134)**	**Financial liabilities**	**(281.530)**	**(304.187)**

The total fair value of the liabilities is higher than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

2008/09 Carrying Amount	2008/09 Fair Value	2009/10 Carrying Amount	2009/10 Fair Value		2010/11 Carrying Amount	2010/11 Fair Value
£m	£m	£m	£m		£m	£m
25.000	27.290	12.000	13.885	Long term investments	10.000	10.388
51.484	52.541	86.403	87.183	Short term investments	146.635	148.378
10.687	10.687	10.335	10.334	Long term debtors	9.982	9.982
87.171	**90.518**	**108.738**	**101.068**	**Financial assets**	**166.617**	**168.748**

The fair value of the assets is higher than the carrying amount because the council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest above current market rates.

Available for sale assets are carried in the balance sheet at their fair value. The council's shareholding in Birmingham International Airport is not traded in an active market and fair value of £17.493 million has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the Company's latest audited accounts and an assessment of future trading prospects of a 5% return on net assets per annum. If future valuations showed a 1% movement in the investment valuation then the fair value will be £0.175m higher or lower respectively.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

17. Inventories

This table shows the value of stock held by the council to assist in the delivery of its services.

2010/11 actuals

	Disinfestation stores £m	Reprographics £m	Small tools and plant £m	Stationery £m	Trading operations £m	Miscellaneous £m	Total £m
Balance outstanding at the start of the year	0.013	0.019	0.001	0.008	0.156	0.287	**0.484**
Purchases	0.011	0.100	0.004	0.011	1.899	2.185	**4.210**
Recognised as expense during the year	(0.014)	(0.099)	0.000	(0.013)	(1.899)	(2.182)	**(4.207)**
Written off balances	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Reversals of write-offs in previous years	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Balance outstanding at the end of the year	**0.010**	**0.020**	**0.005**	**0.006**	**0.156**	**0.290**	**0.487**

Comparative figures for 2009/10

	Disinfestation stores £m	Reprographics £m	Small tools and plant £m	Stationery £m	Trading operations £m	Miscellaneous £m	Total £m
Balance outstanding at the start of the year	0.010	0.021	0.002	0.008	0.165	0.374	**0.580**
Purchases	0.012	0.069	0.000	0.002	0.253	2.723	**3.059**
Recognised as expense during the year	(0.009)	(0.071)	(0.001)	(0.002)	(0.262)	(2.774)	**(3.119)**
Written off balances	0.000	0.000	0.000	0.000	0.000	(0.036)	**(0.036)**
Reversals of write-offs in previous years	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Balance outstanding at the end of the year	**0.013**	**0.019**	**0.001**	**0.008**	**0.156**	**0.287**	**0.484**

18. Debtors

This table shows the amounts owed to the council for which payments have not been received by 31 March 2011, but which should be paid within one year.

2008/09 £m	2009/10 £m		2010/11 £m
3.774	2.132	Capital Debtors	2.101
15.157	18.425	Central government bodies	9.959
0.175	0.268	Other local authorities	0.286
0.724	0.631	NHS bodies	3.958
0.000	0.000	Public corporations and trading funds	0.000
32.605	32.310	Other entities and individuals	34.540
52.435	**53.766**	**Total**	**50.844**
(9.852)	(9.942)	Provision for bad and doubtful debts	(10.814)
42.583	**43.824**	**Total**	**40.030**

Within other entities and individuals £1.335m (£1.380m in 2009/10) is included for property charges within social care. The council recognises that although these are correctly classified as debtors

due within one year, events beyond the control of the council make it probable that a proportion of these will be settled beyond that timeframe.

Provision for bad and doubtful debts

The council makes provision for outstanding debt that it anticipates will not be recovered. The split of this provision is found in the following table.

2008/09 £m	2009/10 £m		2010/11 £m
(5.249)	(5.218)	Council Tax	(5.896)
(0.923)	0.000	NNDR	0.000
(3.680)	(4.724)	Other debtors	(4.918)
(9.852)	**(9.942)**	**Total**	**(10.814)**

19. Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following items:

2008/09 £m	2009/10 £m		2010/11 £m
0.057	0.057	Cash held by the council	0.055
2.982	3.815	Bank current accounts	(1.465)
8.459	39.284	Short term deposits	35.710
11.498	**43.156**	**Total**	**34.300**

20. Assets held for sale

The following table shows the movements and current balance within the assets held for sale account. These assets are for sale and actively being marketed by the council.

2009/10 Non-current £m	2009/10 Current £m		2010/11 Non-current £m	2010/11 Current £m
0.000	**0.100**	**Balance outstanding at start of year**	**0.000**	**0.050**
		Assets newly classified as held for sale:		
0.000	0.000	Property, plant and equipment	0.000	1.833
0.000	0.000	Intangible assets	0.000	0.000
0.000	0.000	Other assets/liabilities in disposal groups	0.000	0.000
0.000	0.000	Revaluation losses	0.000	(0.297)
0.000	0.000	Revaluation gains	0.000	0.060
0.000	0.000	Impairment losses	0.000	(0.016)
		Assets declassified as held for sale:		
0.000	0.000	Property, plant and equipment	0.000	0.000
0.000	0.000	Intangible assets	0.000	0.000
0.000	0.000	Other assets/liabilities in disposal groups	0.000	0.000
0.000	(0.050)	Assets sold	0.000	(0.925)
0.000	0.000	Transfers from non-current to current	0.000	0.000
0.000	0.000	Other movements	0.000	0.016
0.000	**0.050**	**Balance outstanding at year-end**	**0.000**	**0.721**

21. Creditors

This table shows the amounts owed by the council for which payments have not been paid by 31 March 2011, but which should be paid within one year.

2008/09 £m	2009/10 £m		2010/11 £m
(11.963)	(14.686)	Central government bodies	(11.445)
(2.626)	(3.285)	Other local authorities	(3.381)
(1.789)	(1.252)	NHS bodies	(1.221)
0.000	(0.012)	Public corporations and trading funds	(0.022)
(29.341)	(35.535)	Other entities and individuals	(35.446)
(1.782)	(3.085)	Capital creditors	(5.583)
(47.501)	**(57.855)**	**Total**	**(57.098)**

22. Provisions

The following table shows the movement during the year of the provisions maintained by the council. The movements will have been charged or generated from the appropriate headings in the net cost of services. These represent provisions for future expenses in respect of liabilities incurred in relation to the year under review.

	Back Pay £m	Section 117 £m	Insurance Fund £m	Pensions and Redundancy £m	Accumulated Absences £m	Other £m	Total £m
Balance at 1 April 2010	(48.941)	(0.263)	(1.524)	0.000	(6.529)	(0.333)	**(57.590)**
Additional provisions made in 2010/11	(7.074)	(0.187)	(0.775)	(0.756)	(6.704)	(0.061)	**(15.557)**
Amounts used in 2010/11	8.015	0.092	0.826	0.000	0.000	0.013	**8.946**
Unused amounts reversed in 2010/11	27.656	0.000	0.000	0.000	6.529	0.000	**34.185**
Unwinding of discounting in 2010/11	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Balance at 31 March 2011	**(20.344)**	**(0.358)**	**(1.473)**	**(0.756)**	**(6.704)**	**(0.381)**	**(30.016)**

Back pay

During 2010/11 Walsall has successfully settled a large number of potential equal pay claims. Negotiation with the legal representatives of 1,275 equal pay claimants has also been progressed which has resulted in greater clarity around the level of any liability and timing of payments,

however this is still subject to agreement by the individuals concerned. As the Council has not yet implemented its new pay structure there also remains a risk of potential further equal pay claims.

Due to the complex nature of these claims, involving multiple parties on the subject matter of equal pay, further detail should not be disclosed as this may prejudice sensitive negotiations and the ultimate settlement of the claims in their entirety.

Section 117

Section 117 of the Mental Health Act 1983 applies to people who have been detained in hospital under Sections 3, 37, 45A, 47 or 48 of the Mental Health Act 1983. Under this section the health authority and social services have a duty to provide aftercare services until they are both satisfied that services are no longer required, at which point aftercare could cease. Historically the council would have charged for aftercare as part of normal charging procedures.

In July 1999 the High Court held that charges could not be made for aftercare services, including accommodation, provided under Section 117 of the Mental Health Act 1983. This judgement was upheld on appeal in July 2000.

The Local Government Ombudsman, in a special report in 2003, advised that people who have paid for Section 117 aftercare are entitled to restitution with interest. In addition it advised local authorities to put mechanisms in place to identify those persons improperly charged, or improperly deprived of financial assistance, and to establish arrangements for reimbursing them or their estates. The council is experiencing difficulties in locating potential claimants, however is working towards identifying as many claimants as possible.

The Local Government Ombudsman guidance, although not law, should be followed. If it is not followed the council would be at risk of claims for which it has no defence. Should a successful complaint be filed against the council, the instruction would be to make restitution to the client in the form of repayment.

Insurance fund

The council has an established insurance fund to cover excesses on claims. These outstanding claims amount to £4.263m and are at various stages of being addressed and it is therefore unclear when settlement might be made. However, based on claims settlement profiles, projected settlements are estimated at £1.473m (£1.524m 2009/10) for which a provision is held to cover this.

Pensions and redundancy costs

The council has created a provision of £0.756m for pension and redundancy costs in relation to restructures undertaken during 2010/11. It is expected that all transfers of economic benefit will occur in 2011/12. The pension figures provided by the West Midlands Metropolitan Authorities Pension Fund and the redundancy costs are based on agreed and expected leaving dates for each officer.

Accumulated absences

In line with requirements under IAS19 Employee Benefits the council has provided for costs in relation to accumulated short term benefits. Further details for this are shown in note 2.

Other

In addition to the above provisions the council holds £0.381m (£0.333m 2009/10) for other costs where the expected timing of any resultant transfer of economic benefit or future events can not be accurately predicted.

The estimated timings for use of these provisions are shown in the following table.

	Back Pay £m	Section 117 £m	Insurance Fund £m	Pensions and Redundancy £m	Accumulated Absences £m	Other £m	Total £m
Less than 1 year	(20.344)	(0.058)	0.000	(0.756)	(6.704)	(0.381)	**(28.243)**
1-2 years	0.000	(0.120)	(1.473)	0.000	0.000	0.000	**(1.593)**
2-5 years	0.000	(0.180)	0.000	0.000	0.000	0.000	**(0.180)**
5-10 years	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
10-15 years	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Balance at 31 March 2011	**(20.344)**	**(0.358)**	**(1.473)**	**(0.756)**	**(6.704)**	**(0.381)**	**(30.016)**

23. Other Long Term Liabilities

Other long term liabilities represent the outstanding liabilities greater than one year for finance leases and PFI contracts. There is also the outstanding interest greater than one year for lender option borrower option (LOBO) stepped rate loans, where it is to offset future higher interest costs due to stepped interest where the rate goes from a lower rate to higher rate. The final item represents the net pension liability for the council.

2008/09 £m	2009/10 £m		2010/11 £m
(2.869)	(3.861)	Deferred liabilities - finance leases	(2.955)
(10.919)	(10.178)	Deferred liabilities - PFI	(9.451)
(0.202)	(0.204)	Deferred liabilities - other	(0.105)
0.000	0.000	Deferred credits	0.000
(268.105)	(392.396)	Net liability related to defined benefit pension scheme	(349.454)
(282.095)	**(406.639)**	**Total**	**(361.965)**

24. Usable Reserves

Movements in the council's usable reserves can be found in the movement in reserves statement (page 24) and note 8 (page 53). Note 9 (page 57) shows the details for the council's earmarked reserves.

2008/09 £m	2009/10 £m		2010/11 £m
(5.096)	(8.267)	General fund reserve	(13.748)
(52.442)	(61.415)	Earmarked reserves	(80.387)
(16.850)	(24.141)	Capital grants unapplied account	(29.727)
(9.258)	(5.303)	Capital receipts reserve	(5.199)
(83.646)	**(99.126)**	**Total**	**(129.061)**

Capital receipts reserve

The capital receipts reserve shows the available resources the council has from the sale of its assets to finance future capital expenditure without grants and loans.

2009/10 £m		2010/11 £m
(9.258)	Balance brought forward	(5.303)
(1.751)	Capital receipts received during the year	(1.584)
(0.136)	Capital receipts released from deferred capital receipts	(0.102)
5.795	Capital receipts applied against capital expenditure	2.095
0.000	Transfer of prior year capital grant to capital receipts following review	(0.334)
0.047	Capital receipts paid to CLG for pooling of housing capital receipts	0.029
(5.303)		**(5.199)**

Capital grants unapplied account

The capital grants unapplied account shows the balance of capital grants the council has received but have not yet applied to finance capital expenditure.

2009/10 £m		2010/11 £m
(16.850)	Balance brought forward	(24.141)
(18.464)	Current year capital grants unapplied credited from comprehensive income and expenditure statement	(23.155)
11.173	Prior year capital grants applied against capital expenditure	17.235
0.000	Transfer of prior year capital grant to capital receipts following review	0.334
(24.141)		**(29.727)**

25. Unusable Reserves

Movements in the council's unusable reserves can be found in the movement in reserves statement (page 24) and note 8 (page 53).

2008/09 £m	2009/10 £m		2010/11 £m
(113.322)	(119.846)	Revaluation reserve	(55.486)
0.000	(10.788)	Available for sale financial instruments account	(10.788)
(345.315)	(276.146)	Capital adjustment account	(144.868)
(0.765)	(0.076)	Financial instruments adjustment account	(0.031)
(1.919)	(1.781)	Deferred capital receipts reserve	(1.758)
268.105	392.396	Pensions reserve	349.455
0.030	0.696	Collection fund adjustment account	0.627
0.000	0.489	Unequal pay back pay account	0.000
6.828	6.529	Accumulated absences account	6.704
(186.358)	**(8.527)**	**Total**	**143.855**

Revaluation reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance in the capital adjustment account.

2009/10 £m		£m	2010/11 £m
(113.322)	Balance at 1 April		(119.846)
(9.232)	Upward revaluation of assets	(17.547)	
1.938	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	17.293	
(7.294)	**(Surplus) or deficit on revaluation of non-current assets not posted to the surplus or (deficit) on the provision of services**		**(0.254)**
1.127	Difference between fair value depreciation and historical cost depreciation	1.278	
(0.357)	Accumulated gains on assets sold or scrapped	63.336	
0.770	**Amount written off to the capital adjustment account**		**64.614**
(119.846)	**Balance at 31 March**		**(55.486)**

Available for sale financial instruments reserve

The available for sale financial instruments reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

2009/10 £m		£m	2010/11 £m
0.000	Balance at 1 April		(10.788)
(10.788)	Upward revaluation of investments	0.000	
0.000	Downward revaluation of investments not charged to the surplus/deficit on the provision of services	0.000	
(10.788)			**0.000**
0.000	Accumulated gains on assets sold and maturing assets written out to the comprehensive income and expenditure statement as part of other investment income		0.000
(10.788)	**Balance at 31 March**		**(10.788)**

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

2009/10 £m		£m	2010/11 £m
(345.315)	Balance at 1 April		(276.146)
	Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement		
33.690	Charges for depreciation and impairment of non-current assets	29.663	
12.253	Revaluation losses on property, plant and equipment	46.305	
0.136	Amortisation and impairment of intangible assets	0.689	
53.315	Revenue expenditure funded from capital under statute	(17.627)	
10.553	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the comprehensive income and expenditure statement	121.282	
109.947			**180.312**
109.947	**Net written out amount of the cost of non-current assets consumed in the year**		**180.312**
	Capital financing applied in the year		
(5.795)	Use of capital receipts reserve to finance new capital expenditure	(2.095)	
(10.275)	Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital expenditure	(15.145)	
(11.173)	Application of grants to capital financing from the capital grants unapplied account	(17.235)	
(13.349)	Statutory provision for the financing of capital investment charged against the general fund	(14.271)	
(0.147)	Capital expenditure charged against the general fund	(0.163)	
(40.739)			**(48.909)**
(0.039)	Movement in the market value of investment properties debited or credited to the comprehensive income and expenditure statement		(0.125)
0.000	Movement in the donated assets account credited to the comprehensive income and expenditure statement		0.000
(276.146)	**Balance at 31 March**		**(144.868)**

Financial instruments adjustment account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the comprehensive income and expenditure statement when they are incurred, but reversed out of the general fund balance to the account in the movement in reserves statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2011 will be charged to the general fund fully in 2011/12.

2009/10 £m		£m	2010/11 £m
(0.765)	Balance at 1 April		(0.076)
0.000	Premiums incurred in the year and charged to the comprehensive income and expenditure statement	0.000	
0.689	Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	0.045	
0.689	**Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements**		**0.045**
(0.076)	**Balance at 31 March**		**(0.031)**

Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £m		2010/11 £m
268.105	Balance at 1 April	392.396
111.650	Actuarial gains or losses on pensions assets and liabilities	(5.854)
34.804	Reversal of items relating to retirement benefits debited or credited to the surplus or (deficit) on the provision of services in the comprehensive income and expenditure statement	(14.093)
(22.163)	Employer's pensions contributions and direct payments to pensioners payable in the year	(22.994)
392.396	**Balance at 31 March**	**349.455**

Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

2009/10 £m		2010/11 £m
(1.919)	Balance at 1 April	(1.781)
0.000	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(0.081)
0.000	Release of deferred capital receipts to revenue as per regulations	0.002
0.138	Transfer to the capital receipts reserve upon receipt of cash	0.102
(1.781)	**Balance at 31 March**	**(1.758)**

Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the comprehensive income and expenditure statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

2009/10 £m		2010/11 £m
0.030	Balance at 1 April	0.696
0.666	Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	(0.069)
0.696	**Balance at 31 March**	**0.627**

Unequal pay back pay account

The unequal pay back pay account compensates for the differences between the rate at which the council provides for the potential costs of back pay settlements in relation to equal pay cases and the ability under statutory provisions to defer the impact on the general fund balance until such time as cash might be paid out to claimants.

2009/10 £m		2010/11 £m
0.000	Balance at 1 April	0.489
0.000	Increase / (decrease) in provision for back pay in relation to equal pay cases	(0.489)
0.000	Cash settlements paid in the year	0.000
0.489	Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0.000
0.489	**Balance at 31 March**	**0.000**

Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

2009/10 £m		2010/11 £m
6.828	Balance at 1 April	6.529
(6.828)	Settlement or cancellation of accrual made at the end of the preceding year	(6.529)
6.529	Amounts accrued at the end of the current year	6.704
(0.299)	**Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements**	**0.175**
6.529	**Balance at 31 March**	**6.704**

26. Cash flow statement – operating activities

The cash flows for operating activities includes the following items:

2009/10 £m		2010/11 £m
(5.455)	Interest received	(6.380)
13.295	Interest paid	14.213
(0.097)	Dividends received	(0.096)
7.743	**Total**	**7.737**

27. Cash flow statement – investing activities

2009/10 £m		2010/11 £m
32.595	Purchase of property, plant and equipment, investment property and intangible assets	34.170
499.746	Purchase of short-term and long-term investments	602.637
0.000	Other payments for investing activities	0.000
(1.818)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.704)
(508.652)	Proceeds from shot-term and long-term investments	(540.831)
(30.604)	Other receipts from investing activities	(39.060)
(8.733)	**Net cash flows from investing activities**	**55.212**

28. Cash flow statement – financing activities

2009/10 £m		2010/11 £m
(1.375)	Cash receipts of short- and long-term borrowing	(20.438)
0.000	Other receipts from financing activities	0.000
1.896	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1.212
2.027	Repayments of short- and long-term borrowing	2.228
3.763	Other payments for financing activities	(6.269)
6.311	**Net cash flows from financing activities**	**(23.267)**

29. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the comprehensive income and expenditure statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support functions is budgeted for centrally and not charged to services

Service income and expenditure as reported to management

The income and expenditure of the council's principal services recorded in the budget reports for the year is as follows:

Service income and expenditure 2010/11	Centrally held budgets £m	Holding Accounts £m	Childrens £m	Neighbourhood Services £m	Regeneration £m	Resources £m	Social Care & Inclusion £m	Total £m
Income								
Fees, charges and other service income	(3.931)	0.000	(5.814)	(21.290)	(23.316)	(8.440)	(36.742)	(99.533)
Government grants	(26.578)	0.000	(248.045)	(9.161)	(0.388)	(132.834)	(1.589)	(418.595)
Total Income	**(30.509)**	**0.000**	**(253.859)**	**(30.451)**	**(23.704)**	**(141.274)**	**(38.331)**	**(518.128)**
Expenditure								
Employee expenses	56.960	0.000	151.927	37.916	17.598	(19.927)	23.112	267.586
Other Service Expenses	(45.716)	0.000	207.763	51.213	26.416	146.232	85.929	471.837
Support Services Recharges	0.155	0.000	3.654	4.758	3.557	(18.204)	6.079	(0.001)
Total Expenditure	**11.399**	**0.000**	**363.344**	**93.887**	**47.571**	**108.101**	**115.120**	**739.422**
Transfer to/(from) reserves	25.369	0.000	0.000	0.000	0.000	0.000	0.000	25.369
Net expenditure	**6.259**	**0.000**	**109.485**	**63.436**	**23.867**	**(33.173)**	**76.789**	**246.663**

Service income and expenditure 2009/10 comparative figures	Centrally held budgets £m	Holding Accounts £m	Childrens £m	Neighbourhood Services £m	Regeneration £m	Resources £m	Social Care & Inclusion £m	Total £m
Income								
Fees, charges and other service income	(3.718)	0.000	(10.061)	(20.054)	(17.005)	(2.964)	(36.406)	(90.208)
Government grants	(22.989)	0.000	(232.969)	(8.639)	(0.372)	(122.019)	(7.620)	(394.608)
Total Income	**(26.707)**	**0.000**	**(243.030)**	**(28.693)**	**(17.377)**	**(124.983)**	**(44.026)**	**(484.816)**
Expenditure								
Employee expenses	8.012	0.000	124.041	37.397	17.759	35.293	21.864	244.366
Other Service Expenses	40.235	(0.001)	169.123	47.881	5.976	125.812	87.187	476.213
Support Services Recharges	0.010	0.000	6.834	4.911	4.148	(22.686)	6.782	(0.001)
Total Expenditure	**48.257**	**(0.001)**	**299.998**	**90.189**	**27.883**	**138.419**	**115.833**	**720.578**
Transfer to/(from) reserves	12.308	0.000	0.000	0.000	0.000	0.000	0.000	12.308
Net expenditure	**33.858**	**(0.001)**	**56.968**	**61.496**	**10.506**	**13.436**	**71.807**	**248.070**

Reconciliation of service income and expenditure to cost of services in the comprehensive income and expenditure statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the comprehensive income and expenditure statement.

2009/10 £m		2010/11 £m
248.070	Costs of services in service analysis	246.663
0.000	Add services not included in main analysis	0.000
2.802	Add amounts not reported to management	(4.404)
49.912	Remove amounts reported to management but not included in the comprehensive income and expenditure statement	(29.317)
300.784	**Net cost of services in comprehensive income and expenditure statement**	**212.942**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the surplus or (deficit) on the provision of services included in the comprehensive income and expenditure statement.

2010/11	Service Analysis £m	Not reported to management £m	Services not in analysis £m	Not included in I&E £m	Allocation of recharges £m	Net cost of services £m	Corporate amounts £m	Total £m
Expenditure								
Employee services	267.586	0.000	0.000	(63.783)	0.000	203.803	0.000	203.803
Other service expenditure	365.725	(2.329)	0.000	51.786	(9.987)	405.195	16.517	421.712
Support service recharges	(0.001)	0.000	0.000	0.000	0.000	(0.001)	0.000	(0.001)
Depreciation/amortisation/ impairment	77.935	0.000	0.000	0.000	0.000	77.935	0.000	77.935
Interest payments	14.379	0.000	0.000	(14.379)	0.000	0.000	62.751	62.751
Precepts and levies	13.798	0.000	0.000	(13.798)	0.000	0.000	13.798	13.798
Payments to housing capital receipts pool	0.000	0.000	0.000	0.000	0.000	0.000	0.029	0.029
Gain or loss on disposal of fixed assets	0.000	0.000	0.000	0.000	0.000	0.000	182.953	182.953
Total expenditure	**739.422**	**(2.329)**	**0.000**	**(40.174)**	**(9.987)**	**686.932**	**276.048**	**962.980**
Income								
Fees, charges and service income	(130.412)	0.000	0.000	4.712	9.987	(115.713)	(14.868)	(130.581)
Interest and investment income	(3.454)	0.000	0.000	3.454	0.000	0.000	(35.717)	(35.717)
Income from Council Tax	0.000	0.000	0.000	0.000	0.000	0.000	(108.322)	(108.322)
Government grants and contributions	(384.262)	0.000	0.000	25.985	0.000	(358.277)	(201.528)	(559.805)
Total income	**(518.128)**	**0.000**	**0.000**	**34.151**	**9.987**	**(473.990)**	**(360.435)**	**(834.425)**
Transfer to / (from) reserves	25.369	(2.075)	0.000	(23.294)	0.000	0.000	0.000	0.000
Surplus or deficit on the provision of services	**246.663**	**(4.404)**	**0.000**	**(29.317)**	**0.000**	**212.942**	**(84.387)**	**128.555**

2009/10 comparative figures	Service Analysis £m	Not reported to management £m	Services not in analysis £m	Not included in I&E £m	Allocation of recharges £m	Net cost of services £m	Corporate amounts £m	Total £m
Expenditure								
Employee services	244.366	0.000	0.000	61.597	0.000	305.963	0.000	305.963
Other service expenditure	402.260	(0.147)	0.000	2.091	(7.636)	396.568	16.427	412.995
Support service recharges	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Depreciation/amortisation/ impairment	47.206	0.000	0.000	0.000	0.000	47.206	0.000	47.206
Interest payments	13.076	0.000	0.000	(13.076)	0.000	0.000	57.447	57.447
Precepts and levies	13.670	0.000	0.000	(13.670)	0.000	0.000	13.670	13.670
Payments to housing capital receipts pool	0.000	0.000	0.000	0.000	0.000	0.000	0.047	0.047
Gain or loss on disposal of fixed assets	0.000	0.000	0.000	0.000	0.000	0.000	8.445	8.445
Total expenditure	**720.578**	**(0.147)**	**0.000**	**36.942**	**(7.636)**	**749.737**	**96.036**	**845.773**
Income								
Fees, charges and service income	(87.128)	2.949	0.000	0.229	7.636	(76.314)	(14.166)	(90.480)
Interest and investment income	(2.695)	0.000	0.000	2.695	0.000	0.000	(26.249)	(26.249)
Income from Council Tax	0.000	0.000	0.000	0.000	0.000	0.000	(103.233)	(103.233)
Government grants and contributions	(394.993)	0.000	0.000	22.354	0.000	(372.639)	(184.389)	(557.028)
Total income	**(484.816)**	**2.949**	**0.000**	**25.278**	**7.636**	**(448.953)**	**(328.037)**	**(776.990)**
Transfer to / (from) reserves	12.308	0.000	0.000	(12.308)	0.000	0.000	0.000	0.000
Surplus or deficit on the provision of services	**248.070**	**2.802**	**0.000**	**49.912**	**0.000**	**300.784**	**(232.001)**	**68.783**

30. Trading operations

The council has established 5 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the council or other organisations. Details of those units with a turnover of greater than £0.100m or a deficit greater than £0.100m in 2010/11 are as follows:

2009/10 Total £m		2010/11 Expenditure £m	Income £m	Total £m
0.657	Catering	4.731	(3.930)	0.801
0.789	Cleaning and caretaking	8.734	(8.123)	0.611
0.045	Markets	0.699	(0.856)	(0.157)
0.871	Internal support services	2.189	(1.807)	0.382
2.362		**16.353**	**(14.716)**	**1.637**

The internal support services represent traded services to schools and print and design services. Trading operations are incorporated into the comprehensive income and expenditure statement. The net expenditure of these operations is charged as financing and investment income and expenditure (see Note 11).

Catering provide school meals to 81 schools within the borough and any other catering needs including breakfasts, mid morning break, wrap around for children's centres. Catering also run the Town Hall Restaurant which provides a service to the general public. From this facility catering also provide a catering service to the council including refreshments, buffets and civic functions.

The objective of the catering service is to provide a school lunch service to all schools within the borough which meets the needs of the students, their parents and the Governors of the school at a reasonable price whilst meeting the Government's objectives to improve the health and wellbeing of young people and assist in their educational attainment by complying with the School Food Trust Nutritional and Food Based Standards.

Cleaning services provide a full cleaning service to internal and external customers of Walsall council, ranging from domestic to specialist cleaning. Tailor made packages are available to suit customer requirements and budgets. All work is fully insured and they offer extensive experience, care and attention detail when working with organisations to achieve high standards of cleanliness. Employees are fully trained, motivated and committed to providing a hygienic and safe environment for customers and visitors and they are treated with the utmost priority.

Caretaking services provide a caretaking service to internal and external customers of Walsall council. They currently provide caretaking services to education and non education buildings including civic buildings, libraries, and museums. They have a large, experienced workforce and offer a professional service offering flexible solutions to tasks including, premise maintenance and security. They also provide a relief service to cover all eventualities including absence cover.

Markets provide facilities for successful markets within the borough of Walsall. It aims to ensure the quality and variety of goods available for sale to the general public.

Internal support services 'Print and Design' provides a comprehensive, design, print production, finishing and delivery service to Walsall Council and its partners. The service works with customers to understand their needs and objectives so that the best design and print solution for their needs and those of their stakeholders can be provided.

The council provides services to schools under the traded services agreement. Services provided are cleaning, caretaking, human resources, legal services, finance support, property services, recruitment services, sports and leisure services and wellbeing. Typically a range of pricing options are available for schools to make their desired choice.

31. Agency services

The council provides payroll services to a number of services involving the payment of around £41.700m in employee costs and salaries and £15.911m to Her Majesty's Revenue and Customs. Each employer pays a management fee based on the number of payslips processed. Details of the breakdown are shown in the following table.

2009/10				2010/11		
Payment for employees £m	Payment to HMRC £m	Payroll Charge £m		Payment for employees £m	Payment to HMRC £m	Payroll Charge £m
3.583	0.875	0.006	Black Country Connexions	0.108	0.026	0.000
0.838	0.184	0.004	Black Country School Improvement Partnership	1.068	0.228	0.004
0.248	0.061	0.001	Chuckery TMO	0.244	0.077	0.001
0.189	0.051	0.001	Leamore TMO	0.167	0.039	0.001
0.757	0.167	0.001	Manor Primary	0.792	0.161	0.001
0.208	0.050	0.001	Sandbank TMO	0.199	0.047	0.001
6.472	1.534	0.024	Shelfield Community Academy	0.000	0.000	0.000
5.076	1.166	0.009	Streetly School	5.424	1.057	0.008
2.544	0.611	0.006	Steps to Work	2.556	0.630	0.007
5.846	1.364	0.021	St Thomas More School	5.945	1.407	0.021
0.435	0.127	0.000	Walsall Regeneration Company	0.249	0.046	0.000
0.883	0.238	0.002	WATMOS	0.912	0.240	0.002
20.917	5.368	0.045	Walsall Housing Group	20.594	5.112	0.045
3.282	0.698	0.019	Starting Point recruitment	3.442	6.841	0.021
51.278	**12.494**	**0.140**		**41.700**	**15.911**	**0.112**

Shelfield Community Academy obtained their own payroll system in March 2010. Black Country Connexions entered liquidation in June 2011 and Walsall Regeneration Company entered liquidation in October 2010.

32. Pooled budgets

The council, in association with NHS Walsall, has established both an integrated health and social care service for adults with learning disabilities, and an integrated community equipment service with pooled fund arrangements. The agreement for the integrated health and social care service for adults with learning disabilities sets out that the council contributes 72.10% and NHS Walsall 27.90% to the fund. The agreement for the integrated community equipment service sets out that the council contributes 59% and NHS Walsall 41% to the fund. These same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each year.

2009/10 Total £m	Pooled fund memorandum account – integrated health & social care for adults with learning difficulties	Cash £m	Grant £m	2010/11 Total £m
	Expenditure			
2.295	Integrated team	2.284	0.223	2.507
9.777	Community support	9.830	0.062	9.892
2.388	Day care	1.910	0.000	1.910
14.863	Residential & Nursing	13.921	0.035	13.956
0.741	Supported employment	0.811	0.000	0.811
2.879	Psychiatric & medical	2.178	0.000	2.178
0.897	Management & administration	(0.280)	0.653	0.373
33.840		**30.654**	**0.973**	**31.627**
	Gross funding			
(17.654)	NHS Walsall	(15.581)	0.000	(15.581)
(15.860)	Walsall Council	(12.891)	(1.191)	(14.082)
(33.514)		**(28.472)**	**(1.191)**	**(29.663)**
0.326	**Net over/(under) spend**	**2.182**	**(0.218)**	**1.964**
	Allocation of over/(under) spend			
0.000	NHS Walsall			0.539
0.326	Walsall Council			1.425
0.326				**1.964**

2009/10 Total £m	Pooled fund memorandum account – integrated community equipment service	Cash £m	Grant £m	2010/11 Total £m
	Expenditure			
0.399	Staffing costs	0.336	0.000	0.336
0.117	Premises/facilities/transport	0.130	0.000	0.130
0.843	Equipment – Walsall Council	0.925	0.000	0.925
0.000	NHS Walsall	0.000	0.000	0.000
1.359		**1.391**	**0.000**	**1.391**
	Gross funding			
(0.555)	NHS Walsall	(0.568)	0.000	(0.568)
(0.804)	Walsall Council	(0.824)	0.000	(0.824)
(1.359)		**(1.392)**	**0.000**	**(1.392)**
0.000	**Net over/(under) spend**	**(0.001)**	**0.000**	**(0.001)**
	Allocation of over/(under) spend			
0.000	NHS Walsall			0.000
0.000	Walsall Council			(0.001)
0.000				**(0.001)**

33. Members allowances

The council paid the following amounts to members during the year.

2009/10 £m		2010/11 £m
0.712	Basic allowances	0.707
0.193	Special responsibility	0.188
0.000	Expenses	0.000
0.905	**Total**	**0.895**

34. Officers' remuneration

The remuneration paid to the council's senior employees was as follows:

		Salary, fees and allowances	Bonuses	Expenses allowances	Compensation for loss of office	Pension contribution	Total
		£	£	£	£	£	£
Chief Executive (Paul Sheehan)	2010/11	189,533	11,201	1,358	0	24,490	**226,582**
	2009/10	189,533	0	1,237	0	23,123	**213,893**
Executive Director - Resources	2010/11	114,328	7,260	5,532	0	15,160	**142,280**
	2009/10	114,328	4,039	6,621	0	14,767	**139,755**
Executive Director - Children's Services	2010/11	114,328	5,887	2,692	0	14,992	**137,899**
	2009/10	114,328	10,997	1,910	0	15,505	**142,740**
Executive Director 1 - Social Care	2010/11	108,612	0	8,621	0	13,560	**130,793**
	2009/10	0	0	0	0	0	**0**
Executive Director 2 - Social Care	2010/11	0	3,859	0	0	471	**4,330**
	2009/10	85,746	13,391	2,895	0	12,339	**114,371**
Acting Executive Director - Social Care	2010/11	6,034	0	0	0	763	**6,797**
	2009/10	28,582	0	0	0	3,487	**32,069**
Executive Director - Neighbourhood Services	2010/11	114,328	0	2,571	0	14,274	**131,173**
	2009/10	114,328	11,787	2,698	0	15,712	**144,525**
Executive Director - Regeneration Services	2010/11	114,328	0	2,670		14,274	**131,272**
	2009/10	114,328	12,791	3,039	0	15,834	**145,992**
Assistant Director - Finance - Section 151 officer	2010/11	90,086	0	8	0	10,991	**101,085**
	2009/10	90,086	8,123	29	0	11,985	**110,223**
Assistant Director - Law & Constitutional Services - Monitoring Officer	2010/11	90,086	7,878	30	0	11,955	**109,949**
	2009/10	90,086	7,074	32	0	11,857	**109,049**

Please note there is only one post for Executive Director – Social Care, however due to changes in post holders this post was occupied by three individuals during the financial years 2009/10 and 2010/11.

Executive Director 1 covered the period 19/04/10 – 31/03/11
Acting Executive Director covered the period 01/01/10 - 19/04/10
Executive Director 2 covered the period 01/04/09 – 31/12/09

Other council employees who receive more than £50,000 remuneration (excluding pension contributions) during the year are shown in the following tables. Teachers have been split into two categories due to their employment status. Teachers at community and voluntary controlled (VC) schools are directly employed by the council. Teachers at foundation and voluntary aided (VA) schools are employed by the governing body of the school, and as such are not direct employees of the council.

				2010/11 post numbers
Remuneration band	**Council officers**	**Teachers - community/ VC schools**	**Teachers - foundation/ VA schools**	**Total**
£50,000 - £54,999	33	39	33	105
£55,000 - £59,999	14	27	27	68
£60,000 - £64,999	7	19	15	41
£65,000 - £69,999	5	15	3	23
£70,000 - £74,999	18	4	4	26
£75,000 - £79,999	2	7	2	11
£80,000 - £84,999	3	2	3	8
£85,000 - £89,999	1	1	2	4
£90,000 - £94,999	2	1	1	4
£95,000 - £99,999	1	0	0	1
£100,000 - £104,999	0	0	3	3
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	1	1
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	1	1
£135,000 - £139,999	0	0	0	0
£140,000 - £144,999	0	1	0	1
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	0	0	0	0
Total	**86**	**116**	**95**	**297**

	2009/10 comparative post numbers			
Remuneration band	Council officers	Teachers - community/ VC schools	Teachers - foundation/ VA schools	Total
£50,000 - £54,999	28	46	25	99
£55,000 - £59,999	17	34	16	67
£60,000 - £64,999	8	21	8	37
£65,000 - £69,999	5	13	1	19
£70,000 - £74,999	10	4	6	20
£75,000 - £79,999	7	5	2	14
£80,000 - £84,999	3	3	2	8
£85,000 - £89,999	0	1	1	2
£90,000 - £94,999	4	1	2	7
£95,000 - £99,999	4	1	0	5
£100,000 - £104,999	1	0	2	3
£105,000 - £109,999	0	1	0	1
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	1	0	0	1
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	2	1	0	3
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	0	0	0	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	1	0	0	1
Total	**91**	**131**	**65**	**287**

35. External audit costs

The council has incurred the following costs in relation to the audit of the statement of accounts, certification of grant claims and statutory inspections and to non-audit services provided by the council's external auditors:

2009/10 £m		2010/11 £m
0.175	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	0.242
0.120	Fees payable to Grant Thornton in respect of statutory inspections	0.100
0.177	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	0.058
0.091	Fees payable in respect of other services provided by Grant Thornton during the year	0.008
0.563	**Total**	**0.408**

36. Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget. The schools budget includes elements for a restricted range of services provided on a council wide basis and for the individual schools budget (ISB), which is divided into budget shares for each school. Over and under spends on the two elements are required to be accounted for separately. The council has not supplemented the schools budget from its own resources this year.

Details of the deployment of DSG receivable for 2010/11 which has been deployed in accordance with the Schools Standard and Framework Act (1998 14) are shown in the following table:

		2009/10				2010/11
Central Expenditure £m	**ISB £m**	**Total £m**	**Dedicated Schools Grant (DSG)**	**Central Expenditure £m**	**ISB £m**	**Total £m**
(16.871)	(153.331)	(170.202)	Final DSG for year	(17.467)	(157.541)	(175.008)
0.292	0.000	0.292	Plus brought forward from previous year	(1.103)	0.000	(1.103)
0.000	0.000	0.000	Less carry forward to next year agreed In advance	0.000	0.000	0.000
(16.579)	**(153.331)**	**(169.910)**	**Agreed budgeted distribution in year**	**(18.570)**	**(157.541)**	**(176.111)**
15.476	0.000	15.476	Less actual central expenditure	18.094	0.000	18.094
0.000	153.331	153.331	Less actual ISB deployed to schools	0.000	157.541	157.541
0.000	0.000	0.000	Plus local authority contribution in year	0.000	0.000	0.000
(1.103)	**0.000**	**(1.103)**	**Carry forward to next year**	**(0.476)**	**0.000**	**(0.476)**

37. Grant income

The council credited the following grants, contributions and donations to the comprehensive income and expenditure statement in 2010/11:

2009/10 £m	Revenue grants	2010/11 £m
	Credited to taxation and non specific grant income	
(24.996)	Revenue support grant	(17.402)
(22.179)	Area based grant	(25.985)
(0.175)	Local authority business growth incentive	0.000
(47.350)	**Total**	**(43.387)**
	Credited to services	
(0.921)	ACE - annual funding agreement & roof top garden	(0.958)
0.000	Skills funding agency - Walsall Adult and Community College (WACC)	(4.352)
(1.178)	Learning and Skills Council (LSC) ACL main grant - WACC	0.000
(2.610)	LSC funding allocation - further education	0.000
(1.595)	Street Lighting PFI	(1.595)
0.000	Future Jobs Fund (FJF)	(1.466)
(3.240)	Housing benefits administration subsidy grant	(3.127)
(88.920)	Housing benefits rent allowances grant	(96.017)
(27.345)	Council Tax benefit subsidy grant	(29.841)
(0.930)	Housing benefit non HRA rebates	(0.915)
0.000	Learning disabilities - campus closure programme revenue grant	(0.722)
(7.067)	Supporting People main grant	0.000
(1.145)	Social care reform grant (transforming adult social care)	(1.106)
(9.191)	School standards grant (SSG & SSGP)	(9.317)
(169.910)	Dedicated schools grant	(176.111)
(9.983)	General sure start grant	(11.610)
(16.513)	LSC sixth form funding grant	(16.468)
0.000	LSC E2E contracts	(6.591)
(23.200)	Standards fund	(26.887)
0.000	WNF contractor projects - NEET/childcare	(1.053)
(0.573)	Direct delivery	0.000
(9.397)	Other	(8.836)
(373.718)	**Total**	**(396.972)**
(421.068)	**Total Revenue Grants**	**(440.359)**

2009/10 £m	Capital grants	2010/11 £m
	Credited to taxation and non specific grant income	
(13.660)	Schools standards fund	(23.324)
(1.500)	PCT Walsall	(1.921)
(1.405)	Sure start	(1.052)
0.000	ERDF	0.000
(0.980)	Lottery	(0.713)
(0.504)	Youth	(0.091)
(0.532)	Department for Education	(0.375)
(1.043)	CENTRO	(3.203)
(0.723)	Housing specific	(1.565)
(0.507)	DEFRA	(0.267)
(1.709)	Town centre transport package	(0.352)
(0.900)	Local area agreement	(0.216)
(3.314)	Local transport plan	(2.509)
(0.335)	s106 contributions	(0.858)
(1.629)	Other	(1.853)
(28.741)	**Total**	**(38.299)**
	Credited to services	
(1.391)	Schools standards fund	(8.827)
(0.188)	Sure start	(0.289)
(0.197)	Lottery	(0.306)
(0.136)	Youth	0.000
0.000	DEFRA	(0.019)
0.000	Local area agreement	0.000
(2.772)	Housing specific	(2.751)
(0.021)	s106 contributions	0.000
(1.584)	Other	(0.058)
(6.289)	**Total**	**(12.250)**
(35.030)	**Total capital grants**	**(50.549)**

38. Related parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government

Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 37.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 33. During 2010/11, no works and services were commissioned from companies in which members had an interest. In addition, the council paid grants totalling £3.243m to voluntary organisations including some where members had positions on the governing body. The grants were made with proper consideration of declarations of interest. The register of members' interest is open to public inspection at the Civic Centre during office hours or can be viewed on the council's website.

Officers

Council officers are required to declare any interest under section 117 of the Local Government Act 1972. The register has been examined and records of payments to and receipts from all organisations contained therein have been checked. There were no transactions with any organisations listed.

Other Public Bodies (subject to common control by central government)

The council has a pooled budget arrangement with NHS Walsall for an integrated health and social care service for adults with learning difficulties, and an integrated community equipment service. Transactions and balances outstanding are detailed in Note 32.

Entities Controlled or Significantly Influenced by the Council

The council does not control or significantly influence any other entities.

39. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £m		2010/11 £m
259.772	Opening capital financing requirement	308.680
	Capital investment	
36.101	Property, plant and equipment	36.351
0.157	Investment property	0.002
59.561	Revenue expenditure funded from capital under statute	(5.138)
0.074	Intangible assets	0.872
95.893		**32.087**
	Sources of finance	
(5.795)	Capital receipts	(2.095)
(27.694)	Government grants and contributions	(43.397)
	Sums set aside from revenue	
(0.147)	Direct revenue contributions	(0.163)
(13.349)	Minimum revenue provision	(14.271)
(46.985)		**(59.926)**
308.680	**Closing capital financing requirement**	**280.841**
	Explanation of movements in year	
(7.028)	Increase/(decrease) in underlying need to borrow (supported by government financial assistance)	(9.397)
53.066	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(19.007)
2.870	Assets acquired under finance lease	0.565
0.000	Assets acquired under PFI/PPP contracts	0.000
48.908	**Increase/(decrease) in capital financing requirement**	**(27.839)**

40. Leases

Council as lessee

Finance leases

The council has acquired a number of vehicles and reprographic/printing equipment under finance lease.

The assets acquired under these leases are carried as property, plant and equipment in the balance sheet at the following net amounts:

31 March 2009 £m	31 March 2010 £m		31 March 2011 £m
0.000	0.000	Other land and buildings	0.000
3.705	4.851	Vehicles, plant, furniture and equipment	3.687
3.705	**4.851**		**3.687**

The council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the council and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2009 £m	31 March 2010 £m		31 March 2011 £m
		Finance lease liabilities (net present value of minimum lease payments):	
1.137	1.438	- current	1.413
2.153	2.940	- non-current	1.977
0.733	0.922	Finance costs payable in future years	0.916
4.023	**5.300**	**Minimum lease payments**	**4.306**

The minimum lease payments will be payable over the following periods:

	Minimum lease payments			Finance lease liabilities		
	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m
Not later than one year	1.414	1.796	1.804	1.137	1.438	1.413
Later than one year and not later than five years	2.609	3.504	2.415	2.153	2.940	1.901
Later than five years	0.000	0.000	0.087	0.000	0.000	0.076
	4.023	**5.300**	**4.306**	**3.290**	**4.378**	**3.390**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 no contingent rents were payable by the council (2009/2010 £0).

The council has sub-let some of the vehicles held under these finance leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £nil (£0.003m at 31 March 2010).

Operating leases

The council has acquired vehicles, equipment and property by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2009 £m	31 March 2010 £m		31 March 2011 £m
1.182	1.036	Not later than one year	0.851
2.337	2.288	Later than one year and not later than five years	1.926
3.309	2.945	Later than five years	2.809
6.828	**6.269**		**5.586**

The council has sub-let some of the vehicles held under these operating leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £0.051m (£0.044m at 31 March 2010).

The expenditure charged to the net cost of services in the comprehensive income and expenditure statement during the year in relation to these leases was:

2009/10 £m		2010/11 £m
1.193	Minimum lease payments	1.097
0.189	Contingent rents	0.291
(0.044)	Sublease payments received	(0.051)
1.338		**1.337**

Council as lessor

Finance leases

The council has leased out five properties across the borough on a finance lease. The range of remaining life in the leases range from 6 to 91 years.

The council has a gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2010 £m		31 March 2011 £m
	Finance lease debtor (net present value of minimum lease payments):	
0.003	- current	0.003
0.048	- non-current	0.045
0.097	Unearned finance income	0.087
0.044	Unguaranteed residual value of the property	0.044
0.192	**Gross investment in leases**	**0.179**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross investment in leases			Minimum lease payments		
	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m
Not later than one year	0.013	0.013	0.013	0.013	0.013	0.013
Later than one year and not later than five years	0.052	0.052	0.052	0.051	0.052	0.052
Later than five years	0.133	0.127	0.114	0.089	0.083	0.070
	0.198	**0.192**	**0.179**	**0.153**	**0.148**	**0.135**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £0.002m contingent rents were receivable by the council (2009/10 £0.002m).

Operating leases

The council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2009 £m	31 March 2010 £m		31 March 2011 £m
0.501	0.501	Not later than one year	0.477
1.498	0.148	Later than one year and not later than five years	1.462
8.148	8.148	Later than five years	8.148
10.147	**8.797**		**10.087**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £0.017m contingent rents were receivable by the council (2009/10 £0.017m).

41. Private finance initiatives and similar contracts

St Thomas More School

2010/11 was the 7th year of a 25 year private finance initiative (PFI) contract for the construction, maintenance and operation of a new secondary school in Willenhall. The main partners within the contract are the Governors of St Thomas More School, Birmingham Roman Catholic Diocese Trustees, Babcock and Brown and Walsall Council. The application of IFRIC 12 to this scheme has resulted in this being classed as an off balance sheet transaction. As such no asset is shown within the council's balance sheet. This is due to the council having no interest in the school at the end of the contract. Instead all the land and property reverts back to the Birmingham Roman Catholic Diocese Trustees and the Governors of St Thomas More School. In line with all other voluntary aided and foundation schools the contract has also been reviewed under IFRIC 4 and it has been determined that the council has an operating leases with the Governors of St Thomas More School and Birmingham Roman Catholic Diocese Trustees.

The following table shows the predicted payments to be made under the contract to the contractor over the life of the contract.

	£m
Payable in 2011/12	2.077
Payable within two to five years	8.732
Payable within six to ten years	11.934
Payable within eleven to fifteen years	13.176
Payable within sixteen to seventeen years	5.647
Total	**41.566**

Public street lighting

2010/11 was the ninth year of a 25 year PFI contract for the replacement and maintenance of the council's lighting stock across the borough. The objective of this contract is to ensure that the borough is lit in a uniform manner complying with British and European standards. The main partners within the contract are Walsall Council and Walsall Street Lighting.

Property, plant and equipment

The assets used to provide services for street lighting are recognised on the council's balance sheet. Movements in their value over the year are detailed in the analysis of the movement on the property, plant and equipment balance in Note 13.

Payments

The council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for service £m	Reimbursement of capital expenditure £m	Interest £m	Total £m
Payable in 2011/12	2.049	0.727	0.128	2.904
Payable within two to five years	8.896	2.777	0.423	12.096
Payable within six to ten years	13.328	2.558	0.354	16.240
Payable within eleven to fifteen years	14.464	2.934	0.184	17.582
Payable within sixteen to eighteen years	6.537	1.183	0.023	7.743
Total	**45.274**	**10.179**	**1.112**	**56.565**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2009/10 £m		2010/11 £m
(11.673)	Balance outstanding at start of year	(10.919)
0.754	Payments during the year	0.740
0.000	Capital expenditure incurred in the year	0.000
(10.919)	**Balance outstanding at year-end**	**(10.179)**

Housing 21

2010/11 was the third year of a 30 year public-private partnership scheme. The principal partners in the contract are Housing 21 and Walsall Council. This contract is to provide:

- 285 extra care units (including 70 shared ownership and 10 respite care) across the borough
- A 40 bed dementia care unit at Goscote
- 26 intermediate care beds at Rushall Mews
- Increased day care across the borough (including weekend access to services)

The majority of the assets within this contract do not revert back to council ownership at the end of the 30 year contract. Instead the council has provided land to Housing 21 on 125 year leases. As such the council does not need to account for the assets created by the scheme on its balance sheet. There is one exception to this, Rushall Mews, which does revert back to council ownership at the end of the 30 year period. The council therefore needs to keep accounting for this asset on our balance sheet (current value £0.341 million).

The table below shows the predicted payments to the contractor over the life of the agreement.

	£m
Payable in 2011/12	8.880
Payable within two to five years	38.217
Payable within six to ten years	52.813
Payable within eleven to fifteen years	59.753
Payable within sixteen to twenty years	67.605
Payable within twenty one to twenty five years	76.489
Payable within twenty six to twenty seven years	33.339
Total	**337.096**

42. Impairment losses

During 2010/11, the council has recognised an impairment loss of £3.937 million in relation to its operational land and buildings, £0.144 million in relation to vehicles, plant and equipment, and £0.261 million in relation to surplus assets. These impairments are where capital expenditure has not added a pound for pound increase in the value of the properties but has enhanced and/or upgraded the fabric of the building. The impairment loss has been charged to the net cost of services in the comprehensive income and expenditure statement.

43. Termination benefits

The council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £3.938m (£3.857m in 2009/10). Included within these amounts are payments for various school based staff and council employees.

44. Pension scheme accounted for as defined contribution schemes

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the council paid £12.853m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £12.809m and 14.1%. There were no contributions remaining payable at the year-end.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 45.

45. Defined benefit pension schemes

Participation within pension schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Wolverhampton City Council – this is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to post employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the general fund via the movement in reserves statement. The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year:

2009/10 Local Government Pension Scheme Funded £m	2009/10 Local Government Pension Scheme Unfunded £m	2009/10 Unfunded teachers £m		2010/11 Local Government Pension Scheme Funded £m	2010/11 Local Government Pension Scheme Unfunded £m	2010/11 Unfunded teachers £m
			Comprehensive income and expenditure statement			
			Cost of service:			
12.300	0.000	0.000	Current service cost	19.650	0.000	0.000
0.255	0.000	0.000	Past service costs	(47.958)	(1.563)	(0.905)
1.287	0.000	0.145	Settlements and curtailments	0.124	0.000	0.449
			Financing and investment income and expenditure:			
41.584	1.942	0.845	Interest cost	45.769	1.840	0.763
(23.554)	0.000	0.000	Expected return on scheme assets	(32.262)	0.000	0.000
31.872	**1.942**	**0.990**	**Total post employment benefit charged to the surplus or deficit on the provision of services**	**(14.677)**	**0.277**	**0.307**
			Other post employment benefit charged to the comprehensive income and expenditure statement			
103.767	5.634	2.249	Actuarial gains and losses	(4.120)	(3.719)	1.985
135.639	**7.576**	**3.239**	**Total post employment benefit charged to the comprehensive income and expenditure statement**	**(18.797)**	**(3.442)**	**2.292**
			Movement in reserves statement			
(13.049)	0.145	0.263	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	34.322	1.785	0.980
			Actual amount charged against the general fund balance for pensions in the year:			
18.823			Employers' contributions payable to scheme	**19.645**		
	2.087	**1.253**	Retirement benefits payable to pensioners		**2.062**	**1.287**

The past service costs on the local government scheme consist of a) £49.551m gain due to the change in scheme benefits as a result of the change from measuring pension increases using CPI instead of RPI; b) Costs due to early retirements within the year.

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31 March 2011 is a loss of £178.454m (£188.278m in 2009/10).

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2009/10 Local Government Pension Scheme Funded	2009/10 Local Government Pension Scheme Unfunded	Unfunded teachers		2010/11 Local Government Pension Scheme Funded	2010/11 Local Government Pension Scheme Unfunded	Unfunded teachers
£m	£m	£m		£m	£m	£m
(590.286)	(28.393)	(12.528)	Opening balance at 1 April	(816.332)	(33.882)	(14.514)
(12.300)	0.000	0.000	Current service cost	(19.650)	0.000	0.000
(41.584)	(1.942)	(0.845)	Interest cost	(45.769)	(1.840)	(0.763)
(7.017)	0.000	0.000	Contributions by scheme participants	(6.896)	0.000	0.000
(192.109)	(5.634)	(2.249)	Actuarial gains and losses	38.974	3.719	(1.985)
28.506	2.087	1.253	Benefits paid	24.591	2.063	1.287
(0.255)	0.000	0.000	Past service costs	47.958	1.563	0.905
0.000	0.000	0.000	Entity combinations	0.000	0.000	0.000
(1.287)	0.000	(0.145)	Curtailments	(0.124)	0.000	(0.449)
0.000	0.000	0.000	Settlements	0.000	0.000	0.000
(816.332)	**(33.882)**	**(14.514)**	**Closing balance at 31 March**	**(777.248)**	**(28.377)**	**(15.519)**

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme 2009/10 £m		Local Government Pension Scheme 2010/11 £m
363.102	Opening balance at 1 April	472.332
23.554	Expected rate of return	32.262
88.342	Actuarial gains and losses	(34.854)
18.823	Employer contributions	21.708
7.017	Contributions by scheme participants	6.896
(28.506)	Benefits paid	(26.654)
0.000	Entity combinations	0.000
0.000	Settlements	0.000
472.332	**Closing balance at 31 March**	**471.690**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £30.385m (2009/10: £111.896m).

Scheme history

	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Present value of liabilities:					
Funded LGPS	(645.656)	(694.557)	(590.286)	(816.332)	(777.248)
Unfunded LGPS	n/a	(33.295)	(28.393)	(33.882)	(28.377)
Unfunded teachers	(13.850)	(14.838)	(12.528)	(14.514)	(15.519)
Total present value of scheme liabilities	**(659.506)**	**(742.690)**	**(631.207)**	**(864.728)**	**(821.144)**
Fair value of assets in the Local Government Pension Scheme	**452.021**	**451.723**	**363.102**	**472.332**	**471.690**
Surplus/(deficit) in the scheme:					
Funded LGPS	(193.635)	(242.834)	(227.184)	(344.000)	(305.558)
Unfunded LGPS	n/a	(33.295)	(28.393)	(33.882)	(28.377)
Unfunded teachers	(13.850)	(14.838)	(12.528)	(14.514)	(15.519)
Total	**(207.485)**	**(290.967)**	**(268.105)**	**(392.396)**	**(349.454)**

The liabilities show the underlying commitments that the council has in the long term to pay retirement benefits. The total liability of £349.454m has a substantial impact on the net worth of the council. It reduces the overall net worth to -£14.794m. However statutory arrangements for funding the deficit means that the financial position of the council remains healthy:

- The deficit on the West Midlands Metropolitan Authorities Pension Fund will be made good by increasing employer contributions over the remaining working life of employees, as assessed by the scheme actuary on a triennial basis
- Finance is only required to be raised to cover the unfunded teachers' pensions when the pensions are actually paid.

Employee contributions were amended from 1 April 2008, and employer contributions also increased to ensure adequate funding of future pension liabilities given the increase in life expectancies.

The total contributions expected to be made to the West Midlands Metropolitan Authorities Pension Fund in 2011/12 by the council is £22.188m.

Basis for estimating assets and liabilities

Liabilities for both the West Midlands Metropolitan Authorities Pension Fund and the unfunded teachers' pension costs have been assessed by Mercer Limited, an independent firm of actuaries. The assessment has been on an actuarial basis using the projected unit method, an estimate of the pensions that will have to be paid in the future, using mortality rates, salary levels etc. The estimates for the West Midlands Metropolitan Authorities Pension Fund have been based on the latest full valuation of the scheme as at 31 March 2010.

The investment return used in calculating the year end pension scheme assets is 6.42% (30.93% in 2009/10). Consistent with the prior year, this has been calculated from the actual investment return for the nine months to 31 December 2010, multiplied by the market index returns for the three months to 31 March 2011, less an allowance for expenses.

The following actuarial assumptions have been made:

	Local Government Pension Scheme				Unfunded teachers pensions	
	Funded		Unfunded			
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:						
Equity investments	7.5%	7.5%	n/a	n/a	n/a	n/a
Government bonds	4.5%	4.4%	n/a	n/a	n/a	n/a
Other bonds	5.2%	5.1%	n/a	n/a	n/a	n/a
Property	6.5%	6.5%	n/a	n/a	n/a	n/a
Cash/liquidity	0.5%	0.5%	n/a	n/a	n/a	n/a
Other	7.5%	7.5%	n/a	n/a	n/a	n/a
Mortality assumptions:						
Longevity at 65 for current pensioners:						
- Men	21.2	21.6	21.2	21.6	21.2	21.6
- Women	24.1	24.2	24.1	24.2	24.1	24.2
Longevity at 65 for future pensioners:						
- Men	22.2	23.0	n/a	n/a	n/a	n/a
- Women	25.0	25.8	n/a	n/a	n/a	n/a
Rate of inflation	2.80%	2.90%	2.80%	2.90%	2.80%	2.80%
Rate of increase in salaries	5.05%	4.65%	n/a	n/a	n/a	n/a
Rate of increase in pensions	3.30%	2.90%	3.30%	2.90%	3.20%	2.80%
Rate for discounting scheme liabilities	5.60%	5.50%	5.60%	5.50%	5.50%	5.40%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%	n/a	n/a	n/a	n/a

The unfunded pensions arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2009/10 %	2009/10 £m	2010/11 %	2010/11 £m
Equity investments	53.70%	253.642	59.10%	278.768
Government bonds	7.90%	37.314	8.20%	38.679
Other bonds	6.00%	28.340	5.90%	27.830
Property	7.20%	34.008	8.50%	40.094
Cash/liquidity	1.40%	6.613	2.10%	9.905
Other	23.80%	112.415	16.20%	76.414
	100.00%	**472.332**	**100.00%**	**471.690**

History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets					
West Midlands Authorities Pension Fund	0.9	(7.7)	(33.4)	18.7	(7.4)
Experience gains and losses on liabilities					
West Midlands Authorities Pension Fund	0.0	(0.2)	0.0	0.0	3.8
Unfunded teachers pensions	0.0	(3.5)	0.0	0.0	(13.1)

46. Contingent liabilities

Equal pay

During 2010/11 Walsall has successfully settled a large number of potential equal pay claims. Negotiation with the legal representatives of 1,275 equal pay claimants has also been progressed which has resulted in greater clarity around the level of any liability and timing of payments, however this is still subject to agreement by the individuals concerned. As the Council has not yet implemented its new pay structure there also remains a risk of potential further equal pay claims.

Due to the complex nature of these claims, involving multiple parties on the subject matter of equal pay, further detail should not be disclosed as this may prejudice sensitive negotiations and the ultimate settlement of the claims in their entirety.

Town Centre Transport Package

There is currently a potential dispute between the council and construction company Vinci Construction (UK) Ltd, with regard to the Town Centre Transport Package. Vinci Construction (UK) Ltd, has made a number of claims for costs against the council, due to delays and contract variations.

The claims are as yet unresolved and the eventual outcome is predicted to be between £0 to £2.309m.

Air quality issues relating to Chamberlin and Hill (Foundry in Chuckery)

There is currently the possibility of a judicial review being brought against the council relating to poor air quality in Chuckery. It is the Council's responsibility to monitor air quality but since 2009/10 a decision was made to discontinue the monitoring in Chuckery as levels of the fine particles that contribute to poor air are now within national acceptable limits.

The residents of Chuckery have expressed concerns with this course of action and have written to the council threatening judicial review. These same residents were successful at bringing legal action against a local company and legal costs of £1m were incurred. It is reasonable to predict that the Council could be facing the same level of legal costs if a judicial review took place.

Part 1 Claims – Walsall Town Centre Transport Package

Part 1 of the Land Compensation Act 1973 provides owners of certain types of property where no land has been taken, notably residential accommodation, with a right to claim compensation for the diminution in value of that property caused by "physical factors" arising from the use of the road. Such "physical factors" include noise, dust, vibration, artificial light etc. Claims of this nature (Part 1

Claims) are generally based on a percentage reduction in the value of the asset. The Council may also be liable for the claimants costs (agent fees) involved in the settlement of the claim.

Claims cannot be submitted until the first anniversary of the road opening for public use and can be lodged at any time in the following six years. At present 48 claims have been received all of which are unresolved, the eventual outcome is predicted between £0 and £300k.

Contaminated Land – former Gas Works – Oakridge Drive

The council purchased the former gas works site from West Midlands Gas Board in the late 1960's. It was sold to a housing developer in the early 1970's who was to clean up the site and build houses. Under new legislation that came into force in 2000 local councils are obliged to ensure that previously contaminated sites have been treated appropriately and are no longer a potential environmental or health hazard. Samples taken from this site show that 90 properties were built on contaminated land and that it could prove harmful to health. It is the council's intention to serve notice on these properties to inform the residents of the contamination and to serve notice on the developer requiring them to carry out the decontamination work.

If the council loses the legal battle with the developer, it is reasonable to predict that the decontamination costs for 90 properties plus legal costs would be £6m.

Statutory Fees for personal searches re Environmental Information regulations

There is currently the possibility of claims for compensation being made by a number of private search companies following the government wrongly requiring council to charge fees for personal searches since the Environmental Information regulation came into force. This was ruled an error in EU courts.

If the council receives claims then it is reasonable to predict that the costs of settling these claims will be between £0 and £165k.

47. Contingent assets

The council has no contingent assets to disclose as at 31 March 2011.

48. Nature and extent of risks arising from financial instruments

Overall procedures for managing risk

The council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a treasury policy statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the council's annual council tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 22 February 2010 and is available on the council website. The key issues within the strategy were:

- The Authorised Limit for the 2010/11 was set at £353.047m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £298.140m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 95% and 45% based on the council's long term borrowing.
- The maximum and minimum exposures to the maturity structure of debt are shown on page 110.

These policies are implemented by a central treasury team. The council maintains written principles for overall risk management, as well as written policies (treasury management practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically and were approved by Cabinet 13 October 2010.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

This risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria.

The annual investment strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined below. Details of the investment strategy can be found on the council's website. The general policy objective for this council is the prudent investment of its treasury balances

The council's investment priorities are:

- The security of capital and
- Liquidity of its investments
- All investments will be in sterling

The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

The council uses credit criteria in order to select creditworthy counterparties for placing investments with. Information used include:-

- Credit ratings rating agencies – Fitch and Moodys
- Treasury management advisors provide regular updates of changes to all ratings relevant to the council

- This council does not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
  - The quality financial press
  - Market data
  - Information on government support for banks and the credit ratings of that government support
- The primary credit ratings scales for Fitch and Moody's which are used are shown below

Minimum ratings	Fitch	Moodys
Short term	F1	P1
Long term	A	A

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies of £156.635m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions (if applicable – as this does not now cover normal money market deposits).

Bonds rated:	Amount as at 31 March 2011 £m	Historical experience of default as at 31 March 2011 %	Adjustment for market conditions as at 31 March 2011 %	Estimated maximum exposure to default as at 31 March 2011 £m	Estimated maximum exposure to default as at 31 March 2010 £m
AAA	5.000	0.00%	0.00%	0.000	0.000
AA	83.135	0.03%	0.03%	0.025	0.016
A	5.000	0.08%	0.08%	0.004	0.009
BBB	1.000	0.24%	0.24%	0.002	0.014
Unrated Building Societies	62.500				
Trade debtors *	21.288	Local experience	Local experience	Local experience	Local experience
Total	**177.923**				

* excluding statutory debtors – council tax and NNDR

No breaches of the council's counterparty criteria occurred during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The council does not generally allow credit for its trade debtors, such that £4.135m of the £7.589m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	As at 31 March 2009 £m	As at 31 March 2010 £m	As at 31 March 2011 £m
Less than three months	0.945	1.553	0.311
Three to six months	0.641	0.324	1.381
Six months to one year	0.761	0.726	0.474
More then one year	2.644	2.257	1.969
	4.991	**4.860**	**4.135**

Liquidity risk

The council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	2008/09 £m	2009/10 £m	2010/11 £m
Less than one year	103.919	140.169	197.479
Between one and two years	25.000	12.000	10.000
Between two and five years	0.000	0.000	0.000
More than five years	17.392	27.828	27.475
	146.311	**179.997**	**234.954**

All trade and other payables (£57.931m) are due to be paid in less than one year and are not shown in the table above.

Refinancing and maturity risk

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the treasury management strategy, see page 108):

	Approved minimum limits £m	Approved maximum limits £m	Actual 31 March 2011 £m	Actual 31 March 2010 £m
Less than 1 year	0.000	40.999	25.282	23.603
Between 1 and 2 years	0.000	54.666	35.000	36.716
Between 2 and 5 years	0.000	68.332	40.000	31.471
Between 5 and 10 years	0.273	136.664	47.000	31.471
More than 10 years	1.093	232.329	127.922	141.620
Total	**1.366**	**532.990**	**275.204**	**264.881**

Market risk

Interest rate risk

The council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the comprehensive income and expenditure statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the comprehensive income and expenditure statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the general fund balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the other comprehensive income and expenditure statement.

The council has a number of strategies for managing interest rate risk. The annual treasury management strategy draws together council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£m
Increase in interest payable on variable rate borrowings	0.200
Increase in interest receivable on variable rate investments	(0.357)
Increase in government grant receivable for financing costs	0.012
Impact on Surplus or Deficit on the Provision of Services	(0.145)
Decrease in fair value of fixed rate investment assets	0.000
Impact on Other Comprehensive Income and Expenditure	0.000
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure	0.000

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note 16 – fair value of assets and liabilities carried at amortised cost.

Price risk

The council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However, it does have shareholdings to the value of £17.493m in Birmingham Airport (£15.958m ordinary shares and £1.535m preference shares)

The shares are all classified as available-for-sale, meaning that all movements in price will impact on gains and losses recognised in the available for sale reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £0.875m gain or loss being recognised in the available for sale reserve.

Foreign exchange risk

The council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Collection Fund

The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

1. Income and expenditure account

2009/10 £m		2010/11 £m	Note
	Income		
(63.149)	Income collectable from business ratepayers	(64.085)	3
(87.894)	Income from council tax	(91.109)	5
(27.477)	Benefits	(29.637)	5
(178.520)	**Total income**	**(184.831)**	
	Expenditure		
	Precepts and demands		
103.872	Walsall Metropolitan Borough Council	108.200	6
7.637	Police	7.771	6
3.656	Fire and Civil Defence	3.738	6
115.165		**119.709**	
	Business rates		
62.791	Payment to national pool	63.735	3
0.358	Cost of collection	0.350	3
	Bad and doubtful debts		
0.389	Write-offs	0.150	
0.524	Provisions	0.750	
179.227	**Total expenditure**	**184.694**	
0.707	**(Surplus)/deficit for year**	**(0.137)**	
0.030	(Surplus)/deficit brought forward - Walsall	0.696	2
0.003	Brought forward debtor/(creditor)	0.075	
0.003	Transfer to precepting authorities	0.006	2
(0.075)	Precepting authorities (debtor)/creditor	(0.065)	2
0.028	Transfer to general fund	0.052	2
0.696	**Collection fund balance carried forward (surplus) / deficit**	**0.627**	**2**

The income and expenditure account above has been shown to illustrate the transactions of a billing authority and has been prepared on an accruals basis.

2. Collection fund balance sheet

2009/10 £m		2010/11 £m
0.030	(Surplus)/deficit brought forward - Walsall	0.696
0.003	Brought forward debtor/(creditor)	0.075
0.707	(Surplus)/deficit for year	(0.137)
	Precepting authorities (debtor)/creditor	
(0.050)	- Police	(0.044)
(0.025)	- Fire and civil defence	(0.021)
0.003	Transfer to precepting authorities	0.006
0.028	Transfer to general fund - prior years surplus/(deficit)	0.052
0.696	**Collection fund balance**	**0.627**

3. Income from business rates

Income collectable

Under the arrangements for uniform business rates, the council collected non-domestic rates for the Walsall area which are based upon local rateable values multiplied by a national uniform rate. The total rateable value for business rate purposes at 31 March 2011 was £182.127 million (£158.768 million in 2009/10). The total amount, less certain relief and other deductions, is paid to a central pool, the NNDR pool, managed by central Government. This pool is then distributed between local authorities based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts are split as follows.

2009/10 £m		2010/11 £m
	Gross amount payable to the NNDR pool	
(74.364)	Non-domestic rates	74.146
	(Add)/deduct	
(0.226)	Transitional relief	2.077
	Less	
1.530	Bad debts written off / Provision for bad debts	(0.890)
9.911	Allowances and other adjustments	(11.248)
(63.149)	**Income from business ratepayers**	**64.085**
0.358	Less costs of collection allowance	(0.350)
(62.791)	**Net income payable to national pool**	**63.735**

National non-domestic rate multiplier

The national non-domestic rate multiplier is set annually by the Government. It is the rate in the pound by which the rateable value is multiplied to produce the annual rate bill for a property. For

2010/11 the multiplier was £0.407 (£0.485 in 2009/10). The small business multiplier for 2010/11 was £0.414 (£0.481 in 2009/10).

4. Calculation of tax base

The council tax base represents the number of properties in the borough expressed as band D properties. It assumes the council achieves a 98.5% collection rate. The council tax base for 2010/11 was as follows.

Band	Weighting	Number of dwellings on valuation list	Discounted value for council tax purposes	Band D equivalent	Band D equivalent for 2009/10
A	2/3	48,052	42,493	27,896	28,127
B	7/9	24,654	22,546	17,273	17,207
C	8/9	16,935	15,662	13,713	13,515
D	1.00	9,716	9,164	9,027	8,963
E	11/9	5,256	4,968	5,981	5,937
F	13/9	2,269	2,159	3,072	3,023
G	15/9	720	679	1,115	1,100
H	18/9	54	34	67	71
		107,656	**97,705**	**78,144**	**77,943**

5. Income due from council tax

The council set a council tax of £1,531.92 for 2010/11 (£1,477.54 for 2009/10). This included the precepts for the police authority and fire and civil defence authority. It is based upon a tax base of 77,943 band D properties (see note 4 above). This tax base reflects assumptions made foe discounts, relief to students, changes in the register and non-payment. The actual amounts credited to the collection fund can be analysed as follows.

2009/10 £m		2010/11 £m
115.371	Gross council tax due (Adjusted for changes in banding)	120.746
(27.477)	Less benefit awarded	(29.637)
87.894	**Total**	**91.109**

6. Organisations which make a precept or demand on the collection fund

The precepts and demands are those payments requested by public authorities at the beginning of the year to fund their net budgets.

2009/10 £m		2010/11 £m
103.872	Walsall Metropolitan Borough Council	108.200
7.637	Police	7.771
3.656	Fire and civil defence	3.738
115.165	**Total**	**119.709**

Trust and scholarship accounts

These accounts relate to gifts and bequests made to, held or administered by the council.

The capital sums have been invested in statutory securities and in the case of most funds administered by Education and Children's Services, and Resources. The interest is used to provide grants and prizes. The council currently administers 5 trusts:

- SW Tame Fund – for the purposes of prizes at Joseph Leckie School
- Joseph Leckie Memorial Fund – for the provision of scholarships
- Joseph Leckie Trust – for the provision of scholarships
- Walsall Agricultural Fund – for the provision of a prize fund
- Barr Beacon Trust – for the provision and maintenance of open spaces

Walsall council is also the corporate trustee for the following charities:

- Fishley
- CC Walker Playing Fields
- Blanch Woolaston
- WJ Croft
- Walsall Wood Allotment
- Shelfield Playing Field
- Merrions Wood
- The Memorial Park (Willenhall)
- Bloxwich and Leamore Recreation Ground
- Recreation and pleasure ground, Short Heath
- Walsall Corporation Almshouses formerly Moseley's Dole
- Cannock Chase and Pelsall District Miners Recreation and Pleasure Ground

1. Income and expenditure account

Net expenditure 2009/10 £		Expenditure £	Income £	Net Expenditure 2010/11 £
	Education and Children's Services			
(6)	S W Tame	0	(6)	(6)
(294)	Joseph Leckie Memorial	0	(302)	(302)
(38)	Joseph Leckie Trust	149	(149)	0
(3,040)	Barr Beacon Trust	22,103	(11,257)	10,846
	Resources			
(21)	Walsall Agricultural Fund	0	(21)	(21)
(3,399)	**Total**	**22,252**	**(11,735)**	**10,517**

2. Valuation of trust fund assets

Assets comprise local authority and central Government bonds and cash balances

	Capital Element	Revenue Accumu-lation	Revaluation Reserve	Total		Market value	
				2010/11 £	2009/10 £	2010/11 £	2009/10 £
Children and young people							
S W Tame	0	544	0	544	544	544	544
Joseph Leckie Memorial	1,518	26,335	0	27,853	27,551	27,853	27,551
Barr Beacon Trust	0	264,970	26,001	290,971	292,119	290,971	292,119
Resources							
Walsall Agricultural Fund	330	416	0	746	725	746	725
Total	**1,848**	**292,265**	**26,001**	**320,114**	**320,939**	**320,114**	**320,939**

Monies for residents in council care homes

The residents' personal monies, shown in the following table, are held in trust by social care on behalf of residents in its homes.

2009/10 £		2010/11 £
1,396,036	Balance at 1 April	1,839,612
443,576	Net deposits/ (withdrawals) in year	(401,758)
1,839,612	**Total**	**1,437,854**

3. Trusts balance sheet

2009/10 £		2010/11 £
24,001	Land & buildings	23,001
2,078,884	Investment trust fund	1,686,824
(38)	Creditors	(149)
0	Debtors	8
57,704	Cash	48,289
2,160,551	**Total assets less liabilities**	**1,757,973**
(2,132,702)	Revenue fund balances	(1,730,124)
(1,848)	Capital account	(1,848)
(26,001)	Revaluation reserve	(26,001)
(2,160,551)	**Total net worth**	**(1,757,973)**

Glossary

A

ABG: Area Based Grant

Accounting period: The period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period i.e. 31 March, is the balance sheet date.

Accounting policies: Within the range of possible methods of accounting, a statement of the actual methods chosen locally and used to prepare these accounts.

Account and Audit Regulations 2011: The current sets of regulations which detail the accounts needed, how they should be published, the right of electors, and the conduct of the annual statutory audit.

Accruals basis: The method of including amounts in accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Agency Services: Work carried out by one party on behalf of another.

AGS: Annual Governance Statement.

Amortisation: Loss in value of an intangible asset due to age or obsolescence.

Appropriations: Transferring of an amount between specific reserves in the income and expenditure account.

Area based grant: A central Government grant paid to each local authority to help finance its general expenditure

Asset: Something of value which is measurable in monetary terms owned by the council and is convertible to cash.

B

Bad (and doubtful) debts: Debts which may be uneconomic to collect or unenforceable.

Balances: The reserves of the council, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of its funds.

Balance Sheet: A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Billing authority: Walsall Council is the billing authority responsible for the collection of council tax and non-domestic rates. The council tax includes amounts for precepting authorities – the West Midlands Fire & Civil Defence and Police Authorities.

Budget: A statement of the council's expected level of service expressed as an amount of spending over a set period, usually one year.

C

Cabinet: The executive decision making body of the council made up of portfolio holding executive members. Operates in a similar style to central Government.

Capital Adjustment Account: Financing of capital expenditure passes through this account.

Capital expenditure: Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of existing fixed assets.

Capital receipts: The proceeds from the sale of a fixed asset, or the repayment of an advance made by the council.

Capitalised: Transferred from revenue to capital.

Cash and cash equivalents: This comprises cash in hand, cash overdrawn and short term investments which are readily convertible into known amounts of cash.

Cash flow: Movement in money received and paid by the council in the accounting period.

Cash flow statement: Statement showing the cash inflows and outflows during the year

CFO: Chief financial officer

Chartered Institute of Public Finance and Accountancy: The professional body that oversees accounting practice within public bodies.

Chief financial officer: Corporate officer responsible for managing the financial risks and financial planning of the council.

CIES: Comprehensive income and expenditure statement

CIPFA: Chartered Institute of Public Finance and Accountancy.

CIPFA/LASAAC Code of Practice on Local Authority Accounting: The Statement of Recommended Practice applicable to preparing the accounts.

CMT: Corporate management team.

Collection Fund: A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).

Community assets: Assets that the council intends to hold in perpetuity, have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Comprehensive income and expenditure statement: This shows the council's net expenditure on providing services during the year, based on proper accounting practices, prior to adjustments required for taxation purposes.

Comprehensive spending review: Review by central government to determine spending priorities for the following three years. This review determines the level of funding for local government.

Consistency: The concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Consolidated: Added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration, e.g. debtors, creditors as a result of trading between services within the council which are reported on as a whole in the section on consolidated financial accounts.

Contingent assets: Potential assets at the balance sheet date which depend on the occurrence or non-occurrence of one or more uncertain future events. The assets should be included in the balance sheet where it is probable that a gain will be realised which can be estimated reasonably

accurately at the time the accounts are prepared, otherwise, where the contingencies are likely to be material, the fact that they exist should be disclosed as a note to the accounts.

Contingent liabilities: Potential liabilities at the balance sheet date which depend on the occurrence or non-occurrence of one or more uncertain future events. The liabilities should be included in the balance sheet where it is probable that a loss will be incurred which can be estimated reasonably accurately at the time the accounts are prepared, otherwise, where the contingencies are likely to be material, the fact that they exist should be disclosed as a note to the accounts.

Council tax: A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each local authority for the properties in its area.

Council tax benefit: Financial assistance available to residents on a low income who are liable for council tax. The majority of the cost to the council of these benefit payments is reimbursed by central government grant.

Corporate & democratic core: Defined elements of support service costs which are not chargeable to services, sub-divided into Democratic Representation and Corporate Management.

Corporate management: Those activities and costs which provide the framework for services to be undertaken and information required for public accountability.

Corporate management team: The most senior management team within the council. Responsible for ensuring decisions made by cabinet and Council are implemented within the authority.

CPA: Comprehensive Performance Assessment.

CSR: Comprehensive spending review

Creditors: Amounts owed by the council for work done, goods received or services rendered to the council during the accounting period, but for which payment has not been made by the balance sheet date.

Curtailments: Costs incurred as part of pension costs for redundancy/efficiency retirements.

Current assets: Assets which are easily converted to cash e.g. stock and debtors.

Current liabilities: Liabilities which are easily converted to cash e.g. creditors.

D

Debtors: Amounts due to the council which relate to the accounting period and have not been received by the balance sheet date.

DCLG: Department for Communities and Local Government

DDA: Disability Discrimination Act

Dedicated schools grant: Funding from central Government whose sole purpose if to fund the provision of an education service.

Deferred capital receipts: Amounts derived from the asset sales which will be received in instalments over a period of a year (e.g. mortgages on the sale of council houses).

Deferred liabilities: These are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time, e.g. deferred purchase arrangements.

DEFRA: Department for Environment, Food and Rural Affairs

Democratic representation & management: All aspects of members' activities including service policy making and more general activities relating to governance and representing local interests.

Department for Communities and Local Government: Responsible for Government policy and advice on community affairs and local Government

Department for Education: Responsible for Government policy and advice in connection with education and the social welfare of children and families

Department for Environment, Food and Rural Affairs: Responsible for Government policy and advice on environmental, agricultural and rural issues

Depreciation: The loss in value of a tangible fixed asset due to age, wear and tear, deterioration or obsolescence.

De-recognition: The reduction in asset values due to transferring ownership of assets.

DfE: Department for Education – responsible for Government policy and advice in connection with education and the social welfare of children and families.

Diocese: An administrative territorial unit administered by a bishop i.e. Bishop of Lichfield.

DSG: Dedicated schools grant

E

Earmarked reserves: These reserves represent the monies set aside that can only be used for a specific usage or purpose.

ED: Executive Director

EU: European Union

Exceptional: Material items which arise from events or transactions that fall within the ordinary activities of the council and which by virtue of their size or incidence need to be disclosed separately to give a fair presentation of the accounts.

Expenditure: Costs incurred by the council for goods received, services rendered or other value consumed during the accounting period, irrespective of whether or not any movement of cash has taken place.

F

Finance lease: A lease that transfers the risk and rewards of ownership of a fixed asset to the lessee. Such a transfer of risk and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amount to substantially all the fair value of the leased asset.

Financial instrument: Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

Fixed assets: Tangible assets which have value to the council for more than one year, e.g. land, buildings, equipment.

FRS: Financial Reporting Standard. Accounting standards that apply to all accounts unless there is legislation or a SORP covering that area.

G

General Fund: The main revenue account of the council, which brings together all income and expenditure other than recorded in the Housing Revenue Account, PSE accounts and the Collection Fund.

Government support / grants: Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the council.

H

Historical cost: The actual cost of assets, goods or services, at the time of their acquisition.

HMRC: Her Majesty's Revenue and Customs

Housing benefits: Financial assistance paid to tenants on a low income to help pay their rent and service charges.

HR: Human Resources

I

ICT: Information and communication technology

IFRIC: International financial reporting interpretations committee.

IFRS: International financial reporting standard

Impairment: Downward revaluation due to the consumption of economic benefits

Income: Amounts due to the council in respect of services performed, taxes levied or grants receivable during the accounting period, irrespective or whether or not any movement of cash has taken place.

Infrastructure assets: Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Investment properties: Interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

International financial reporting interpretations committee: This committee offers interpretation of IFRS.

International financial reporting standard: Accounting standards that have replaced SSAP and FRS for the 2010/11 financial year. All accounts from this period will be reported under these standards.

Investments: Items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

IT: Information technology

J

Joint arrangements: An arrangement between the council and other public bodies, ie pooled budgets, to jointly carry out a service.

L

LABGI: Local Authority Business Growth Initiative

LASAAC: Local Authorities (Scotland) Accounts Advisory Committee

Leasing: A method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright.

Levies: A charge from a public sector body towards the services they provide.

Liabilities: Amounts due to individuals or organisations which will have to be paid at some time in the future.

LOBO: Lenders Option Borrowers Option. A form of loan that has option dates. These are dates where the lenders have the ability to change the interest rate. If this happens the borrower then has the option of either continuing the loan or redeeming it in full without any penalty.

M

Material: The concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum revenue provision: The minimum amount which must be charged to a council's revenue accounts and set aside as a provision to repay external debt. It is calculated by applying a prescribed percentage of outstanding debt.

MIRS: Movement in reserves statement

Movement in reserves statement: Statement that shows the movement in all the council's reserves over the year and the movements required for taxation purposes.

N

National non-domestic rates: A tax levied on business properties, sometimes known as Business Rates. An NNDR poundage is set annually by the Government. Rates based on properties' rateable values are collected by billing authorities and paid into a national pool. The proceeds are then redistributed by central Government as a grant to local authorities in proportion to adult population.

Net book value: The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided by depreciation.

Net realisable value: The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NNDR: National non-domestic rates

Non-added value: Capital expenditure that does not create a pound for pound increase in the value of an asset.

Non-operational assets: Fixed assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements pending sale or redevelopment.

O

Operating lease: A lease where the risks and rewards of ownership of a fixed asset remain with the lessor. Such a lease will be for a fixed period which is significantly less than the useful economical life of the asset.

Operational assets: Fixed assets occupied, used or consumed by the council in direct delivery of those services for which it has either statutory or discretionary responsibility.

P

PFI: Private finance initiative

PPP: Public Private Partnership

Precept: A levy determined by one authority which is collected on its behalf by another e.g. Walsall Council collects Police and Fire Authority precepts.

Precepting authority: An authority which raises finance through another authority

Prior year adjustments: Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions: Amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Prudential Code: The current system on financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate by.

Public Works Loan Board (PWLB): A central Government agency which lends money to local authorities at lower rates than those generally available from the private sector. Local authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

R

Replacement cost: Cost of replacement of an asset at the balance sheet date.

Reserves: amounts set aside in the accounts to meet expenditure which the council may decide to incur in future period, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

Revaluation: The increase or decrease in an assets value following valuation by a suitably qualified person.

Revenue contributions: Method of financing capital expenditure directly from revenue.

Revenue expenditure funded from capital under statute: This is expenditure that would normally be classed as revenue under normal accounting rules, but legislation has defined as being capital expenditure.

Revenue Support Grant: A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar council tax levy.

Ring-fenced: This refers to the statutory requirement that certain accounts such as the Collection Fund must be maintained separately from the General Fund.

S

Service concession arrangements: An arrangement such as a PFI or PPP whereby a private contractor builds and operates infrastructure for a set contract term. Any assets built as part of the contract are then returned to council ownership at the end of the arrangement.

SORP: Statement of Recommended Practice applicable to preparing the accounts. This usually pays reference to accounting standards (FRS, SSAP UITF) and modifies them for a particular industry.

Stocks and Stores: Raw materials and consumable items which the council has procured to use on a continuing basis and has not been used by the end of the accounting period.

Supported Borrowing: The level of borrowing that the council receives funding for from central Government to support capital expenditure.

T

Trust funds: Funds administered by the council on behalf of minors and others for such purposes as prizes, charities and specific projects.

U

UITF: Urgent Issue Task Force. These are abstracts that are accounting standards that apply to all accounts unless there is legislation or a SORP covering that area.

UKGAAP: United Kingdom Generally Accepted Accounting Practices. Accounting regulations adhered to in the UK.

Unsupported Borrowing: Borrowing taken out in the year by the council in addition to supported borrowing. The council is required to finance this borrowing itself through savings made and council tax.

Usable and unusable Reserves: Usable reserves are those which the council can use to maintain its services whilst those that are unusable are not readily available resources and are held as balances.

W

WATMOS: Walsall Alliance of Tenant Management Organisations. A registered social landlord in Walsall that was created as a result of the large scale voluntary transfer of all the council’s housing stock.

Contact details and sources of information

Enquiries or comments about this publication should be made to:

Head of Finance
Walsall Council
PO Box 23
The Council House
Lichfield Street
Walsall
West Midlands WS1 1TW
Telephone: 01922 652349

This statement is available from the Walsall Council website www.walsall.gov.uk. Paper copies are also available from the above address.

Further information about police, fire and transport authority finances can be obtained at the following addresses:

CENTRO
16 Summer Lane
Birmingham
West Midlands B19 3SD
Website: www.centro.org.uk

The Treasurer to the Police Authority
Finance Department
Lloyd House
Colmore Circus
Queensway
Birmingham B4 6NQ
Website: www.west-midlands.police.uk

The Treasurer
West Midlands Fire and Civil Defence Authority
Council House
Oldbury
Warley
West Midlands B69 3DE
Website: www.wmfs.net

Information on the West Midlands Authorities Pension Fund can be obtained from the following address:

West Midlands Pension Fund
PO Box 3948
Wolverhampton WV1 1XP
Website: http://www.wmpfonline.com

Information about Birmingham International Airport can be obtained from the following address:

Birmingham Airport Holdings Ltd
Birmingham International Airport
Birmingham B26 3QJ
Website: www.bhx.co.uk